# STIRLING COUNCIL

**MINUTES of MEETING** of the **AUDIT COMMITTEE** held as a Hybrid Meeting in the **COUNCIL CHAMBERS, OLD VIEWFORTH, STIRLING** and by **MICROSOFT TEAMS** on **THURSDAY 29 AUGUST 2024 at 10.00 a.m.**

**Present**

Councillor Scott FARMER (Convener)

Councillor Neil BENNY
Councillor Rosemary FRASER
Councillor Danny GIBSON
Councillor Jim THOMSON
Councillor Alasdair TOLLEMACHE
Councillor Elaine WATTERSON

**In Attendance**

Karen Bryce, Service Manager, Children and Families
Heather Buchanan, Lead Solicitor - Information Governance
Stephen Clark, Head of Housing
Linda Devine, Finance Team Leader
Wendy Forrest, Head of Strategic Planning & Health Improvement (IJB/HSCP)
Lawrence Hay, Head of Customer Service and Performance
Kate Hudson, Head of People and Community Wellbeing
Drew Leslie, Head of Infrastructure
David McDougall, Governance Officer (minutes)
Bryony Monaghan, Head of Education (CEdO)
George Murphy, Finance Service Manager (Acting S.95 Officer)
Gordon O'Connor, Audit Service Manager
Dot Reid, Head of Environment and Place
Brian Roberts, Chief Operating Officer - Infrastructure and Environment
Caroline Sinclair, Chief Executive
Julia McAfee, Chief Officer - Governance (Clerk)

**Also Present**

Pat Kenny, External Auditor – Deloitte
Rebecca McConnachie, External Auditor – Deloitte

*Recording of Meeting started*

Prior to commencement of business the Convener welcomed everyone to the meeting. He advised on the procedures related to hybrid meetings and the protocols that both Members and Officers should adhere to throughout the meeting.

It was advised that the meeting was being broadcast live via the Public-I portal on the Council's website and that a recording of the meeting would also be made publicly available on the website following the meeting.

The Convener asked the Clerk to carry out a roll call of all Members participating in the meeting.

## AC84 APOLOGIES AND SUBSTITUTIONS

Apologies were submitted on behalf of Councillor Paul Henke. Councillor Watterson was in attendance as substitute.

## AC85 DECLARATIONS OF INTEREST

There were no declarations of interest.

## AC86 URGENT BUSINESS

There was no urgent business.

## AC87 MINUTES OF MEETING – 14 MARCH 2024

The minutes of the meeting of the Audit Committee held on 14 March 2024 were submitted for approval.

**Decision**

The minutes of the meeting of the Audit Committee held on 14 March 2024 were approved as an accurate record of proceedings.

## AC88 ROLLING ACTION LOG

The Rolling Action Log was submitted for review.

The Chief Officer – Governance confirmed an additional action had been completed following issue of the agenda papers and could now be removed from the action log (*AC79 - Written scheme of control for Legionella to be shared with Cllr Thomson for information*).

The Chief Officer – Governance provided an update on discussions which had taken place in relation to the additional fee being sought from the appointed external auditor, Deloitte LLP. It was noted that constructive discussions with the external auditor had taken place, which had resulted in the reduction of the additional fees. In addition, a change to working practices has been agreed, with more time now being spent on site by the external auditors to promote better collaborative working practices between them and Council officers.

The Convener requested that updated narrative be provided in future for all outstanding items on the log.

**Decision**

The Audit Committee agreed to note the Rolling Action Log.

## AC89 INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2023-24

The report provided an overall assurance on the adequacy of the Council's arrangements for risk management, governance and control during 2023/24. It was based on Internal Audit work undertaken during 2023/24 and reported to the Audit Committee by 29 August 2024. This was consistent with the Council's Scheme of Delegation, which required the Audit Committee to consider the Audit Service Manager's Internal Audit Annual Assurance Report.

**Decision**

The Audit Committee agreed to take assurance that:-

1. sufficient Internal Audit work was undertaken to support a balanced assurance;
2. the Audit Service Manager can provide Substantial Assurance on the Council's arrangements for risk management, governance and control during 2023/24; and
3. the Internal Audit team operates in compliance with Public Sector Internal Audit Standards.

(Reference – Report by Chief Officer – Governance, dated 24 July2024, submitted)

## AC90 INTERNAL AUDIT UPDATE REPORT

The report provided a summary of the findings arising from the Internal Audit assignments finalised since the last meeting of the Audit Committee on 14 March 2024. This was consistent with the Council's Scheme of Delegation, which required the Committee to review summary Internal Audit reports and the main issues arising.

The Audit Service Manager and officers present answered a range of questions from Elected Members regarding the information set out within the report.

Noting an omission within the report, the Audit Service Manager confirmed that 'substantial assurance' could be provided in relation to the review of corporate complaints and enquiries.

In response to queries from Members the Head of Customer Service and Performance agreed to provide information to members of the Committee regarding potential software systems available for management of the Scottish Welfare Fund. He also agreed to arrange an all-Member briefing/training session regarding the corporate enquiries and complaints process.

In response to a request from Members, the Chief Officer – Governance agreed that reporting on corporate enquiries and complaints should be added to the Finance, Economy & Corporate Support Committee workplan.

**Decision**

The Audit Committee agreed to take assurance from:-

1. the findings and conclusions arising from the Internal Audit assignments completed since 14 March 2024.

(Reference – Report by – Chief Officer – Governance, dated 19 August 2024, submitted)

## AC91 AUDIT COMMITTEE ANNUAL REPORT 2023-24

The report presented the Audit Committee Annual Report for 2023-24 and recommended that the Annual Report be referred to Council to provide assurance on the performance of the Audit Committee in terms of its delegated functions, as set out in the Council's Scheme of Delegation. This was in line with Appendix 5a of the Council's Scheme of Delegation.

Preparation of the Annual Report enabled the Audit Committee to comply with the best practice guidance issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) in its publication entitled 'Audit Committees: Practical Guidance for Local Authorities and Police (2013)' and subsequent 'Position Statement: Audit Committees in Local Authorities and Police (2022)'.

The guidance and position statement required the Audit Committee to report annually on how it had complied with the guidance and position statement and how it had discharged its responsibilities as set out in the Council's Scheme of Delegation.

**Decision**

The Audit Committee agreed to:-

1. take assurance from the Audit Committee Annual Report 2023-24; and
2. approve the submission of the Annual Report to the meeting of the Council on 10 October 2024.

(Reference – Report by Chief Officer – Governance, 1 August 2024, submitted)

## AC92 CORPORATE FRAUD UPDATE AND PLAN

The report provided an update to Committee on recent and ongoing Corporate Fraud work and a summary of the team's planned activity for 2024/25.

This was in line with the Council's Scheme of Delegation, which required the Audit Committee to monitor the effective development and operation of arrangements for, and receive and consider periodic reports on, the prevention and investigation of fraud and irregularity.

The Audit Service Manager answered a range of questions from Elected Members regarding the information set out within the report.

**Decision**

The Audit Committee agreed to:-

1. take assurance from recent and ongoing Corporate Fraud work; and
2. note the proposed work set out in the 2024/25 Corporate Fraud Plan.

(Reference – Report by Chief Officer – Governance, dated 25 July 2024, submitted)

## AC93 RISK MANAGEMENT UPDATE AND PLAN

The report presented to Committee the current version of the Strategic Risk Register (SRR), advised on planned work to streamline and improve the SRR and provided an update on work relating to the review of operational risk registers. The report also set out a summary of planned risk management work for 2024/25.

Presentation of this report to the Audit Committee was in line with the Scheme of Delegation, which required the Committee to undertake regular scrutiny of the Council's Strategic Risk Register and to monitor the effective development and operation of arrangements for the management of risk in the Council.

The Audit Service Manager answered a range of questions from Elected Members regarding the information set out within the report

**Decision**

The Audit Committee agreed to:-

1. take assurance from the updated Strategic Risk Register;
2. note and take assurance from planned work to streamline and improve the Strategic Risk Register and that the outcomes of this work will be presented to the Audit Committee at its meeting on 31 October 2024;
3. note and take assurance from ongoing work in relation to the review of operational risk registers; and
4. note the proposed summary risk management plan for 2024/25.

(Reference – Report by Chief Officer – Governance, dated 16 August 2024, submitted)

## AC94 PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWING POLICY) ANNUAL REPORT 2023

The report presented to Committee the Monitoring Officer's annual report on concerns brought to her attention through whistleblowing. The requirement to present an annual report to the Audit Committee was set out within the Council's Whistleblowing Policy The Policy was approved by the then Finance and Economy Committee on 25 November 2021.

Consideration of the report was also consistent with the Council's Scheme of Delegation, which required the Audit Committee to 'monitor the effective development and operation of whistle-blowing arrangements.'

The Chief Officer - Governance answered a range of questions from Elected Members regarding the information set out within the report.

**Decision**

The Audit Committee agreed to:-

1. take assurance from the contents of this Public Interest Disclosure (Whistleblowing Policy) Annual Report.

(Reference – Report by Chief Officer – Governance, dated 14 May 2024, submitted)

## AC95 REGULATION OF INVESTIGATORY POWERS (SCOTLAND) ACT 2000 ANNUAL REPORT 2023 AND UPDATE ON INSPECTION

The report provided Committee with an update on the Council's use of its powers under the Regulation of Investigatory Powers (Scotland) Act 2000 during the period from 1 January 2023 to 31 December 2023. The report also provided Committee with an update on the recent inspection undertaken by the Investigatory Powers Commissioner's Office.

Responsibility for these areas of work fell within the remit of the Audit Committee under Appendix 5a of the Council's Scheme of Delegation.

The Chief Officer - Governance answered a range of questions from Elected Members regarding the information set out within the report.

**Decision**

The Audit Committee agreed to:-

1. note and take assurance from the contents of this report relating to the Council's use of its powers under the Regulation of Investigatory Powers (Scotland) Act 2000 in the year 2023; and
2. take assurance in relation to the actions taken to address the advice detailed in the IPCO inspection letter dated 29 May 2024.

(Reference – Report by Chief Officer – Governance, dated 1 August 2024, submitted)

## AC96 STIRLING COUNCIL AUDITED ACCOUNTS 2022-23

The report outlined the key features of the financial position set out in the 2022/23 audited accounts and asked the Audit Committee to approve for signature the audited Stirling Council Accounts for the year ended 31 March 2023.

In terms of the Scheme of Delegation, the Audit Committee had responsibility for considering the external auditor's report to those charged with governance on issues arising from the audit of the accounts. The Audit Committee also had responsibility for approving for signature the audited Accounts of Stirling Council for each financial year,

in line with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

The Finance Service Manager answered a range of questions from Elected Members regarding the information set out within the report.

**Decision**

Audit Committee agreed to:-

1. note the key features of the financial position set out in the 2022/23 Audited Accounts; and
2. approve for signature the audited Stirling Council Accounts for the year ended 31 March 2023 (Appendix 1).

(Reference – Report by Finance Service Manager, dated 19 August 2024, submitted)

## AC97 ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE AND THE CONTROLLER OF AUDIT FOR FINANCIAL YEAR END 31 MARCH 2023

The report presented to Committee the external auditor's report on the 2022/23 audit.

The International Standards on Auditing (UK and Ireland) 260 (ISA 260) placed a responsibility on appointed external auditors to report specific matters arising from the audit of the financial statements to those charged with governance in sufficient time to enable appropriate action to be taken. In terms of the Scheme of Delegation, the Audit Committee had responsibility for considering the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Responding to a request from the Convener, the Finance Service Manager provided an overview of the some of the key issues relating to the relationship with the external auditor, Deloitte, over the first year of the audit appointment. There had been initial difficulties with the communications and the approach taken by the Deloitte which, coupled with pressure faced by the Finance team while supporting other priorities, had led to a disjointed and difficult relationship. However, he noted that recent constructive discussions had taken place which had facilitated a better understanding of respective expectations. Colleagues from Deloitte will be more present within the Council during the annual external audit process.

The representative from Deloitte concurred with this, and answered a range of questions from Elected Members regarding the information set out within the report.

**Decision**

Audit Committee agreed to:-

1. note and take assurance from the 2022/23 Annual Audit Report;
2. note the audit findings and recommendations and consider management's response to those recommendations;
3. approve the content of the Letter of Representation; and
4. note and take assurance from the 2022/23 report on Best Value thematic work.

(Reference – Report by Finance Service Manager, dated 19 August 2024, submitted)

## AC98 STIRLING COUNCIL DRAFT ACCOUNTS 2023-24

The report asked the Audit Committee to consider the draft Stirling Council accounts prior to their submission to the external auditor. In terms of the Council's Scheme of Delegation, the Audit Committee had responsibility for considering the draft Annual

Statement of Accounts, in line with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

The report outlined the key features of the financial position displayed in the 2023/24 draft accounts, including a brief overview of the General Fund and Housing Revenue Account (HRA) revenue outturn positions as at 31 March 2024.

The Finance Team Leader answered a range of questions from Elected Members regarding the information set out within the report.

**Decision**

Audit Committee agreed to:-

1. note the General Fund and HRA revenue outturn positions as at 31 March 2024;
2. note the position in terms of the Council's share of the net pension asset of the Local Government Pension Scheme; and
3. note the Stirling Council draft accounts prior to their submission to the external auditor.

(Reference – Report by Finance Service Manager, dated 19 August 2024, submitted)

## AC99 DRAFT ACCOUNTS FOR CHARITABLE TRUSTS 2023-24

The report asked the Audit Committee to consider the draft accounts for the Council's Charitable Trusts prior to their submission to the external auditor. In terms of the Council's Scheme of Delegation, the Audit Committee has responsibility for considering the draft Annual Statement of Accounts of the charitable trusts administered by Stirling Council.

The Finance Service Manager answered a range of questions from Elected Members regarding the information set out within the report.

**Decision**

Audit Committee agreed to:-

1. note the draft accounts of the Council's Charitable Trusts prior to their submission to the external auditor.

(Reference – Report by Finance Service Manager, dated 19 August 2024, submitted)

## AC100 STIRLING COUNCIL EXTERNAL AUDIT PLAN 2023-24

The report presented to Committee the appointed external auditor's External Audit Plan 2023/24. The Plan set out the external audit work to be undertaken in relation to the financial year 2023/24.

Consideration of the Plan supported the Audit Committee in discharging its responsibility in terms of the Council's Scheme of Delegation to consider the reports of the appointed external auditor and other inspection agencies.

**Decision**

Audit Committee agreed to:-

1. note the planned audit work to be undertaken as outlined in the Annual External Audit Plan 2023/24; and
2. note it is currently anticipated that the findings from the external auditor's work will be reported to the Audit Committee in January 2025.

(Reference – Report by Finance Service Manager, dated 19 August 2024, submitted)

## AC101 BVAR UPDATE

This report provided a progress update on the improvement action plan developed to implement the recommendations presented in the Stirling Council Best Value Assurance Report (BVAR) prepared by Audit Scotland, April 2019.

In terms of Appendix 5a of the Council's Scheme of Delegation, the Audit Committee had the responsibility to 'seek assurances that action was being taken on risk-related issues identified by auditors and inspectors' and 'review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit'.

Officers answered a range of questions from Elected Members regarding the information set out within the report.

Responding to a query, the Head of Customer Service and Performance agreed to look into why the 2022 residents survey was not reported to Committee and advise Committee Members on this.

**Decision**

The Committee agreed to:-

1. note the position and take assurance in relation to progress of actions in response to Audit Scotland's recommendations arising from Best Value work undertaken; and
2. note that this will be a recurring report which has been added to future workplan of Committee to monitor outstanding and ongoing management actions.

(Reference – Report by Head of Communities and Performance, dated 19 August 2024, submitted)

The Convener declared the Meeting closed at 11.40am

# NOTICE OF MEETING

**A MEETING** of the **AUDIT COMMITTEE** will be held as a Hybrid Meeting in the **COUNCIL CHAMBERS, OLD VIEWFORTH, STIRLING** and by **MICROSOFT TEAMS** on **THURSDAY 29 AUGUST 2024 at 10.00 a.m.**

In accordance with Section 43 of the Local Government in Scotland Act 2003 the Convener has agreed that this meeting will be conducted in such a manner as to allow remote attendance by Elected Members.

Please note that the meeting will be broadcast live at:
https://stirling.public-i.tv/core/portal/home

A recording of the meeting will also be made available following the meeting

***JULIA MCAFEE***
*Chief Officer – Governance*
Clerk to the Council

23 August 2024

## A G E N D A

**1. APOLOGIES AND SUBSTITUTIONS**

**2. DECLARATIONS OF INTEREST**

**3. URGENT BUSINESS**

**4. MINUTES OF MEETING:**

**14 MARCH 2024** (Pages 1 - 6)

**5. ROLLING ACTION LOG** (Pages 7 - 12)

**6. INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2023-24**
Report by Audit Service Manager (Pages 13 -22)

**7. INTERNAL AUDIT UPDATE REPORT**
Report by Audit Service Manager (Pages 23 - 56)

**8. AUDIT COMMITTEE ANNUAL REPORT 2023-24**
Report by Audit Service Manager (Pages 57 - 74)

**9.** **CORPORATE FRAUD UPDATE AND PLAN**
Report by Chief Officer - Governance (Pages 75 - 80)

**10.** **RISK MANAGEMENT UPDATE AND PLAN**
Report by Chief Officer – Governance (Pages 81 - 102)

**11.** **PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWING POLICY) ANNUAL REPORT 2023**
Report by Chief Officer - Governance (Pages 103 – 106)

**12.** **REGULATION OF INVESTIGATORY POWERS (SCOTLAND) ACT 2000 ANNUAL REPORT 2023 AND UPDATE ON INSPECTION**
Report by Chief Officer – Governance (Pages 107 - 112)

**13.** **STIRLING COUNCIL AUDITED ACCOUNTS 2022/23**
Report by Finance Service Manager (Pages 113 - 212)

**14.** **ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE AND THE CONTROLLER OF AUDIT FOR FINANCIAL YEAR END 31 MARCH 2023**
Report by Finance Service Manager (Pages 213 - 332)

**15.** **STIRLING COUNCIL DRAFT ACCOUNTS 2023/24**
Report by Finance Service Manager (Pages 333 – 430)

**16.** **DRAFT ACCOUNTS FOR CHARITABLE TRUSTS 2023/24**
Report by Finances Service Manager (Pages 431 – 452)

**17.** **STIRLING COUNCIL EXTERNAL AUDIT PLAN 2023/24**
Report by Finance Service Manager (Pages 453 - 506)

**18.** **BVAR UPDATE**
Report by Head of Customer Service and Performance (Pages 507 - 524)

(For further information, please contact Governance Officer Fiona Ramsay ramsayf@stirling.gov.uk or Clerk Julia McAfee mcafeej@stirling.gov.uk)

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**THIS ITEM RELATES TO ITEM 4 ON THE AGENDA**

# STIRLING COUNCIL

**MINUTES of MEETING** of the **AUDIT COMMITTEE** held as a Hybrid Meeting in the **COUNCIL CHAMBERS, OLD VIEWFORTH, STIRLING** and by **MICROSOFT TEAMS** on **THURSDAY 14 MARCH 2024 at 10.00 a.m.**

**Present**

Councillor Scott FARMER (Convener)

Councillor Neil BENNY
Councillor Rosemary FRASER
Councillor Danny GIBSON
Councillor Paul HENKE
Councillor Jim THOMSON
Councillor Alasdair TOLLEMACHE

**In Attendance**

Lawrence Hay, Head of Customer Service and Performance
Ann Jacob-Chandler, Head of Economic Development, Planning & Climate Change
David McDougall, Governance Officer (minutes)
Bryony Monaghan, Head of Education (CEdO)
Tracey Mills, Service Manager – Infrastructure Delivery
George Murphy, Finance Service Manager (Acting S.95 Officer)
Gordon O'Connor, Audit Service Manager (Governance)
Dorothy Reid, Head of Environment & Place
Julia McAfee, Chief Officer - Governance (Clerk)

*Recording of Meeting started*

Prior to commencement of business the Convener welcomed everyone to the meeting. He advised on the procedures related to hybrid meetings and the protocols that both Members and Officers should adhere to throughout the meeting.

It was advised that the meeting was being broadcast live via the Public-I portal on the Council's website and that a recording of the meeting would also be made publicly available on the website following the meeting.

The Convener asked the Clerk to carry out a roll call of all Members participating in the meeting.

## AC74 APOLOGIES AND SUBSTITUTIONS

There were no apologies or substitutions.

**AC75 DECLARATIONS OF INTEREST**

Councillor Thomson declared an interest in item 8 on the agenda (ALEOs and Strategically Funded Bodies: Overview of Governance Reporting 2022/23), as a Council-appointed Director of Raploch Urban Regeneration Company (RURC). He noted this was a non-financial interest and he was content that he did not need to withdraw for this item.

Councillor Benny declared an interest in item 8 on the agenda (ALEOs and Strategically Funded Bodies: Overview of Governance Reporting 2022/23), as a result of a number of Council appointments to ALEOs and other bodies. He was content that he did not need to withdraw for this item.

Councillor Tollemache declared an interest in item 8 on the agenda (ALEOs and Strategically Funded Bodies: Overview of Governance Reporting 2022/23), as a Member of the Dunblane Cemetery Memorial Garden. He was content that he did not need to withdraw for this item.

**AC76 URGENT BUSINESS**

While there were no items of urgent business the Convener noted his concerns regarding the audit of the Council's Annual Accounts by the Council's appointed external Auditor, Deloittes. Completion of the audit and presentation of an Annual Report by the external auditor was now six months overdue. The Convener advised that he had a requested a letter from Deloittes to explain the delay, but had instead been offered a telephone call which he did not feel was acceptable. He advised that he would convey any explanation provided by the external auditor to Committee Members once this was received. The Convener stated that he not find the delay acceptable.

The Convener also noted his concerns regarding the rise in the external auditor's fee, which he felt was inconsistent with the significant financial challenges that all public sector organisations were facing. He intended to make representations to Audit Scotland in this regard.

**AC77 MINUTES OF MEETINGS – 23 NOVEMBER 2023 (SPECIAL) AND 18 JANUARY 2024**

The Minutes of the Meetings of the Audit Committee held on 23 November 2023 (Special) and 18 January 2024 were submitted for approval.

**Decision**

The Audit Committee agreed to approve the Minutes of the Meetings of the Audit Committee held on 23 November 2023 (Special) and 18 January 2024 as accurate records of those proceedings.

**AC78 ROLLING ACTION LOG**

The Rolling Action Log was submitted for review.

**Decision**

The Audit Committee agreed to note the Rolling Action Log.

## AC79 INTERNAL AUDIT UPDATE REPORT

This report by the Audit Service Manager provided a summary of the findings arising from the Internal Audit assignment finalised since the last meeting of the Audit Committee on 18 January 2024 and an update on work relating to action tracking.

Officers responded to a range of questions from Members regarding information contained within the report.

In response to a query, the Finance Service Manager agreed to updated the narrative within the Action Tracking Summary (Appendix 2 to the report) relating to "Payment Card Industry Data Security Standard", to reflect recent developments.

The Head of Customer Service and Performance agreed to circulate an update to Audit Committee members regarding the timescales for implementation of a new password policy.

In response to a request, the Service Manager for Infrastructure Delivery agreed to provide a copy of the written scheme of control for Legionella to Councillor Thomson for information.

**Decision**

The Audit Committee agreed to take assurance from:

1. the findings and conclusions arising from the Internal Audit assignment completed since 18 January 2024; and
2. the position in relation to action tracking work.

(Reference – Report by –Audit Service Manager dated 1 March 2024, submitted)

## AC80 INTERNAL AUDIT PLAN 2024/25

The Public Sector Internal Audit Standards 2017 (the Standards) required the Audit Service Manager to establish risk based plans to determine the priorities of the Internal Audit team. This report presented a 2024/25 Internal Audit Plan for approval. The proposed Plan was set out at Appendix 1 to the report.

The Audit Service Manager responded to a number of questions from Members regarding the Internal Audit Plan.

**Decision**

The Audit Committee agreed to:

1. note the resources available to Internal Audit;
2. approve the Plan for 2024/25; and
3. note that progress will be reported to Audit Committee on an ongoing basis.

(Reference – Report by –Audit Service Manager dated 1 March 2024, submitted)

## AC81 ALEOS AND STRATEGICALLY FUNDED BODIES: OVERVIEW OF GOVERNANCE REPORTING 2022/23

This report provided the Audit Committee with an overview of the governance reporting arrangements for each of the Council's arm's-length external organisations (ALEOs) and other strategically-funded bodies. At its meeting on 28 May 2019 the Committee agreed to receive such a report on an annual basis. The overview report was last presented to the Committee at its meeting on 30 March 2023.

Officers responded to a range of questions from Members regarding information contained within the report.

In response to a query, the Audit Service Manager agreed to review the information regarding frequency of ALEO reporting to Committees noted within Appendix 1 to the report and to reflect any necessary changes in future reports.

**Decision**

The Audit Committee agreed to take assurance from the ALEO and other strategically-funded bodies governance reporting framework and information summarised at Appendix 1 to the report.

(Reference – Report by Chief Officer - Governance dated 1 March 2024, submitted)

The Convener intimated his attention to alter the order of the agenda. The remaining agenda items were taken in the following order.

**AC82 CHARITABLE TRUSTS ADMINISTERED BY STIRLING COUNCIL - REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2022/23 AUDIT**

International Standard on Auditing (UK and Ireland) 260 (ISA 260) placed a responsibility on auditors to report specific matters arising from the audit of the financial statements to those charged with governance in sufficient time to enable appropriate action to be taken. In terms of the Scheme of Delegation, the Audit Committee had responsibility for considering the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

The Convener re-iterated the concern he had raised at the beginning of the meeting regarding the rise in audit fees and his intention to write to Audit Scotland regarding the rise, which he felt was unreasonable and unjustifiable. It was agreed that an additional recommendation would be added to the officer recommendations in this regard.

**Decision**

The Audit Committee agreed to:

1. note and take assurance from the Auditor's opinion on the Charitable Trusts administered by the Council;
2. approve the content of the Letters of Representation; and
3. note the Chair's intention to write to Audit Scotland in the strongest possible terms regarding the unjustifiable rise in the cost of Audit fees.

(Reference – Report by Chief Operating Officer – Communities and Performance dated 4 March 2024, submitted)

**AC83 AUDITED ACCOUNTS FOR CHARITABLE TRUSTS 2022/23**

This report outlined the key features of the financial position displayed in the 2022/23 audited accounts of the Stirling Council Consolidated Small Charitable Trusts and the Dunblane Cemetery Memorial Garden (Maintenance) Trust. It also asked the Audit Committee to consider the Auditor's Final Report on the Accounts, which was the subject of a separate report on the Audit Committee agenda, and to approve for signature the audited Charitable Trusts Accounts for the year ended 31 March 2023.

In response to a query, the Finance Service Manager agreed to review and amend the information regarding Trustees of Dunblane Cemetery Memorial Garden as required.

**Decision**

The Audit Committee agreed to:

1. note the key features of the financial position set out in the 2022/23 audited accounts; and
2. approve for signature the audited Charitable Trusts Accounts for the year ended 31 March 2023 (Appendices 1 and 2 to the report).

(Reference – Report by Chief Operating Officer – Communities and Performance dated 4 March 2024, submitted)

The Convener declared the Meeting closed at 11.20am

**AUDIT COMMITTEE - ACTION LOG**
**29 August 2024**

**THIS REPORT RELATES TO ITEM 5 ON THE AGENDA**

| Minute Ref No. and Date | Report Title | Action agreed | Responsible Senior Officer | Expected completion date | Actual completion date |
|---|---|---|---|---|---|
| **AC13**<br>**27/10/22** | Internal Audit Update Report | Officers to look at other payment options for Debtor Accounts (Arrears) | Isabel McKnight | See updated comment, 16/8/24 | |

**COMMENTS** :

16/08/24 – Remains in progress. Recent focus of work has been on ERP implementation. Officers will continue to explore with the supplier the potential for expanding customer payment methods with due consideration to cost and timelines.
4/3/2024 – Email received from G Murphy. Officers from Finance, Procurement & ICT met with the supplier to confirm the upgrade of the cash receipting system (PAY360) to the latest version and move it to the supplier's cloud hosting service. The supplier confirmed that the latest version of the software does not include facilities for other payment methods as standard. Any requirement to include other payment methods will require separate work and related cost implications. Officers will continue to explore with the supplier the potential for expanding customer payment methods post the move to the new upgraded version of the software.

29/9/23 – Remains in progress. Software supplier confirmed that any functionality updates will be taking place nearer the end of the calendar year, as mentioned below. Any available update will be noted here once work is complete.

11/8/23 - Officers have received confirmation from our 'Income Management' software supplier that the Council's new Chip and Pin devices will be able to facilitate Apple Pay and Google Pay.

The Council's software supplier is currently working to integrate Apple Pay and Google Pay into its online payment solutions, with both expected to be available by the end of this calendar year.

In terms of other potential online payment options, our software supplier is looking at Pay Pal / Click to Pay (formerly Visa checkout) and Pay by Bank (mobile banking app).

10/1/23 - The Council's ICT team is checking out the potential for other methods of payment with our cash receipting system (PAY360) provider. Further updates will be provided when information is received from the supplier.

| Minute Ref No. and Date | Report Title | Action agreed | Responsible Senior Officer | Expected completion date | Actual completion date |
|---|---|---|---|---|---|
| **AC44 (b)**<br>**8/6/2023** | Internal Audit Update Report | Update on issues raised in the Internal Audit report on Housing Contract Management to be provided to future meeting of Audit Committee. | Stephen Clark | | |
| **COMMENTS**: 16/10/23 - Update received - Housing Service would confirm that a job description has been completed and submitted for grading evaluation with HR Service. Once returned, Housing will look to start the recruitment process.<br>16/8/23 - The Service would offer the assurance that they are addressing the Internal Audit recommendation to work with Strategic Commissioning with off contract spend and also the wider report recommendations. | | | | | |

| Minute Ref No. and Date | Report Title | Action agreed | Responsible Senior Officer | Expected completion date | Actual completion date |
|---|---|---|---|---|---|
| **AC49 (a)**<br>**8/6/2023** | Audit Committee Annual Report 2022-23 | Potential for undertaking an Audit Committee self-assessment to inform future Audit Committee Annual Reports to be discussed with the Audit Committee Convener. | Julia McAfee / Gordon O'Connor | 31/3/24 | 29/08/24 |
| **COMMENTS**:<br>13/08/24 - Included in Audit Committee Annual Report submitted to the Audit Committee on 29 August. Action complete.<br>11/8/23 - A meeting with the Audit Committee Convener will be arranged in early 2024 to agree the approach to the self-assessment.<br>The outcomes from the self-assessment will be included in the Audit Committee Annual Report to be presented to committee on 16 May 2024. | | | | | |

| Minute Ref No. and Date | Report Title | Action agreed | Responsible Senior Officer | Expected completion date | Actual completion date |
|---|---|---|---|---|---|
| **AC49 (b)**<br>**8/6/2023** | Audit Committee Annual Report 2022-23 | Future Audit Committee Annual Reports to include details of training and development activity. | Julia McAfee / Gordon O'Connor | 20/5/24 | 29/08/24 |
| **COMMENTS**:<br>13/08/24 - Included in Audit Committee Annual Report submitted to the Audit Committee on 29 August. Action complete.<br>11/8/23 - This detail will form part of the Audit Committee Annual Report to be presented to committee on 16 May 2024 (now 20 June 2024). | | | | | |

| Minute Ref No. and Date | Report Title | Action agreed | Responsible Senior Officer | Expected completion date | Actual completion date |
|---|---|---|---|---|---|
| **AC69**<br>**26/10/2023** | Internal Audit Charter | Future changes within the Internal Audit Charter to be highlighted for ease of reference. | Julia McAfee / Gordon O'Connor | 30/10/25 | |
| **COMMENTS**:<br>13/08/24 – Action remains relevant and ongoing. | | | | | |

| Minute Ref No. and Date | Report Title | Action agreed | Responsible Senior Officer | Expected completion date | Actual completion date |
|---|---|---|---|---|---|
| **AC73 (a)**<br>**14/3/24** | Internal Audit Update Report | Narrative in Action Tracking Summary (Appendix 2) relating to "Payment Card Industry Data Security Standard" to be updated as appropriate, to reflect recent developments. | George Murphy | | **14/5/24**<br>**Action presented for removal as complete.** |
| **COMMENTS**: 14/5/24 - Email received from GM advising that an updated narrative has been provided to Internal Audit colleagues for inclusion in the next iteration of the Action Tracking Summary. | | | | | |

| Minute Ref No. and Date | Report Title | Action agreed | Responsible Senior Officer | Expected completion date | Actual completion date |
|---|---|---|---|---|---|
| **AC75**<br>**14/3/24** | Audited Accounts for Charitable Trusts 2022/23 | Information regarding Trustees of Dunblane Cemetery Memorial Garden to be reviewed and amended, if required. | Isabel McKnight<br>George Murphy | | **14/5/24**<br>**Action presented for removal as complete.** |
| **COMMENTS**: 14/5/24 - Email from GM advising the Trustees noted in the Accounts are those who hold that position at the date when the Accounts are signed off. This Audit Committee action can now be closed off. | | | | | |

| Minute Ref No. and Date | Report Title | Action agreed | Responsible Senior Officer | Expected completion date | Actual completion date |
|---|---|---|---|---|---|
| **AC79(b)**<br>**14/3/24** | Internal Audit Update Report | Update to be circulated to Audit Committee members re. timescales for implementation of new password policy. | Lawrence Hay | | |
| **COMMENTS**: | | | | | |

| Minute Ref No. and Date | Report Title | Action agreed | Responsible Senior Officer | Expected completion date | Actual completion date |
|---|---|---|---|---|---|
| **AC79(c)**<br>**14/3/24** | Internal Audit Update Report | Written scheme of control for Legionella to be shared with Cllr Thomson for information. | Tracey Mills | | |
| **COMMENTS**: | | | | | |

| Minute Ref No. and Date | Report Title | Action agreed | Responsible Senior Officer | Expected completion date | Actual completion date |
|---|---|---|---|---|---|
| **AC81**<br>**14/3/24** | Aleos and Strategically Funded Bodies: Overview of Governance Reporting 2022/23 | Information regarding frequency of ALEO reporting to Committees (Appendix 1) to be reviewed. | Julia McAfee<br>Gordon O'Connor<br>Steven McDermott | March 2025 | |
| **COMMENTS**:<br>13/8/24 - The Head of Service confirmed to the Audit Committee on 14 March 2024 that the reporting frequency to the Finance, Economy and Corporate Support Committee for SUIP Ltd and for the Smith Art Gallery and Museum is annual, those bodies being the subject of the matter raised. The next 'ALEO Overview' report is due for submission to the Audit Committee in March 2025 and action will be taken during its preparation to reconfirm with relevant Services the Committee reporting frequency for all ALEOs, in line with the Council's 'Local Code of Practice: Following the Public Pound and Funding External Bodies'. | | | | | |

**Stirling Council**

Agenda Item No. 6

Audit Committee

Date of Meeting: 29 August 2024

Not Exempt

# Internal Audit Annual Assurance Report 2023/24

## Purpose

This report provides an overall assurance on the adequacy of the Council's arrangements for risk management, governance and control during 2023/24. It is based on Internal Audit work undertaken during 2023/24 and reported to the Audit Committee by 29 August 2024. This is consistent with the Council's Scheme of Delegation, which requires the Audit Committee to consider the Audit Service Manager's Internal Audit Annual Assurance Report.

## Recommendations

The Audit Committee is asked to take assurance that:

1. sufficient Internal Audit work was undertaken to support a balanced assurance;
2. the Audit Service Manager can provide Substantial Assurance on the Council's arrangements for risk management, governance and control during 2023/24; and
3. the Internal Audit team operates in compliance with Public Sector Internal Audit Standards.

## Resource Implications

There are no direct resource implications arising from this report.

## Legal and Risk Implications

The role of the Audit Service Manager is to provide the Audit Committee with assurance on the Council's arrangements for risk management, governance, and control. Work undertaken by the Internal Audit team aims to reduce, or mitigate, risk to which the Council may be exposed. The annual Internal Audit Plan is prepared to take account of, and provide assurance in relation to, the key risks set out on the Council's Strategic Risk Register.

Presentation of the Internal Audit Annual Assurance Report 2023/24 enables the Audit Committee to discharge its remit under Appendix 5a of the Council's Scheme of Delegation to consider the Audit Service Manager's Internal Audit Annual Assurance Report, including a summary of Internal Audit activity and the level of assurance in terms of the Council's arrangements for risk management, governance and control.

# 1. Background

1.1. The 2017 Public Sector Internal Audit Standards (the Standards) require the Audit Service Manager to prepare an Internal Audit Annual Assurance Report. This report should include:

1.1.1. a statement on the overall adequacy of the Council's control environment;

1.1.2. a summary of Internal Audit work undertaken during the year; and

1.1.3. a statement on the Internal Audit Section's conformance with the Standards.

1.2. This report has been prepared to meet those requirements.

# 2. Considerations

2.1 The 2023/24 Internal Audit Plan was agreed by the Audit Committee on 30 March 2023. The Plan set out a programme of work for the year, prepared in consultation with senior managers and with recourse to key governance documents such as the Council's Strategic Risk Register as well as Internal Audit's own assessment of risk.

2.2 A summary of the status of each planned and additional Internal Audit assignment, as at 29 August 2024, is set out at **Appendix 1**.

2.3 The Audit Service Manager is required by the Standards to provide an annual opinion on the adequacy of the Council's arrangements for risk management, governance and control. This opinion should be based on Internal Audit work undertaken over the course of the year.

2.4 Taking account of the outcomes of work set out at Appendix 1, the Audit Service Manager can provide Substantial Assurance in relation to the Council's arrangements for risk management, governance and control for the year to 31 March 2024. This assurance is provided in line with the definitions at **Appendix 2**.

2.5 The Audit Service Manager is also required to comment on the Internal Audit Team's compliance with the Standards. The Standards have four objectives:

2.5.1 to define the nature of Internal Auditing within the UK public sector;

2.5.2 to set basic principles for carrying out Internal Audit in the UK public sector;

2.5.3 to establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and

2.5.4 to establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.

2.6 The Standards require the Audit Service Manager to establish a Quality Assurance and Improvement Programme (QAIP) to allow evaluation of compliance. This comprises an annual self-assessment and a five yearly external assessment.

2.7 A self-assessment against the Standards was undertaken in February 2024. That self-assessment confirmed that the Internal Audit team operates in line with the Standards.

2.8 To satisfy the requirement for five yearly external assessment, Stirling Council participates in a national review process established by the Scottish Local Authorities Chief Internal Auditors' Group. This allows Stirling Council to act as assessor, and to be assessed, at no financial cost to any participants.

2.9 The most recent external assessment was undertaken by North Ayrshire Council's Senior Manager (Audit, Fraud, Safety and Risk) in December 2022 and January 2023. The resultant report, which was considered by the Audit Committee at its meeting on 30 March 2023, concluded that the Internal Audit team fully conforms with the Standards.

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required. This is a 'technical or procedural report' and its consideration by the Audit Committee is not concerned with any proposals to achieve specific aims or to impact on any existing Council policy.

### Climate Change, Sustainability and Environmental Impact

3.2 No direct climate change, sustainability or environmental impact.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report, no relevant issues have been identified.

### External Consultations

3.4 None

## 4. Background Papers

4.1 EqSIA Screening.

4.2 Internal Audit Plan 2023-24: Audit Committee meeting 30 March 2023 and relevant minute of meeting.

4.3 Internal Audit – External Quality Assessment: Audit Committee meeting 30 March 2023 and relevant minute of meeting.

## 5. Appendices

5.1 Appendix 1 – Summary of 203/24 Internal Audit Programme.

5.2 Appendix 2 – Definition of Assurance Categories.

Author(s)

| Name | Designation | Telephone Number/E-mail |
|---|---|---|
| Gordon O'Connor | Audit Service Manager | 01786 233383<br>oconnorg@stirling.gov.uk |
| Steven McDermott | Internal Audit Team Leader | 01786 233379<br>mcdermotts@stirling.gov.uk |

Approved by

| Name | Designation | Date |
|---|---|---|
| Julia McAfee | Chief Officer - Governance | 24 July 2024 |

| | |
|---|---|
| Details of Convener(s)and Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | All |
| Key Priorities: | All |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | All |

**Appendix 1**

**Summary of 2023/24 Internal Audit Programme**

| 2023/24 Assignments | | | |
|---|---|---|---|
| **No.** | **Assignment** | **Lead Service** | **Assurance / Status** |
| 1. | Payroll - Overtime | Communities and Performance | Substantial Assurance |
| 2. | Housing Contract Management | Communities and Performance | Substantial / Limited Assurance |
| 3. | Licensing (Civic) | Governance | Substantial Assurance |
| 4. | Balanced Revenue Budget | Finance | Substantial Assurance |
| 5. | Commissioning of Social Work Services | Children and Families | Substantial / Limited Assurance |
| 6. | Goods Vehicle Operator's Licence | Infrastructure and Environment | Substantial Assurance |
| 7. | Ecological Emergency and Climate Change | Infrastructure and Environment | Substantial / Limited Assurance |
| 8. | Economic Recovery and Growth | Infrastructure and Environment | Substantial Assurance |
| 9. | Poverty, Educational Attainment and Funding | Education | Substantial Assurance |
| 10. | ICT - Replacement of Social Care System (SWIFT) | Children and Families / Communities and Performance | N/A – Position Statement |
| 11. | Fuel and Utility Management | Infrastructure and Environment | Substantial Assurance |

**Appendix 1**

| 2023/24 Assignments | | | |
|---|---|---|---|
| **No.** | **Assignment** | **Lead Service** | **Assurance / Status** |
| 12. | Revenues and Benefits Data Management | Finance | Substantial Assurance |
| 13. | Local Code of Corporate Governance 2022/23 | Governance | Substantial Assurance |
| 14. | Local Code of Corporate Governance 2023-24 | Governance | Substantial Assurance |
| 15. | Building Security (Additional review) | All Services | Substantial / Limited / No Assurance |
| 16. | Commercial Waste Service | Infrastructure and Environment | Substantial Assurance |
| 17. | SWIFT Data Quality (Additional review) | Children and Families / Communities and Performance | N/A - Consultancy |
| 18. | Christie Clock Review (Additional review) | Chief Executive | N/A - Consultancy |
| 19. | Network Security and Access Management | Communities and Performance | Fieldwork underway |
| 20. | Resilience Processes and Arrangements | Communities and Performance | Fieldwork underway |

**Appendix 1**

| 2023/24 Assignments | | | |
|---|---|---|---|
| **No.** | **Assignment** | **Lead Service** | **Assurance / Status** |
| 21. | Clackmannanshire and Stirling Integration Joint Board – Review of draft Local Code of Corporate Governance | CSIJB | Fieldwork underway |
| 22. | Roads and Bridges Asset Management | Infrastructure and Environment | Carried forward to 2024/25 Plan |
| 23. | City Region Deal | Infrastructure and Environment | Carried forward to 2024/25 Plan |
| 24. | Workforce Planning | Communities and Performance | Carried forward to 2024/25 Plan |
| 25. | Condition of Operational Property Assets | Infrastructure and Environment | Carried forward to 2024/25 Plan |

**Appendix 2**

## Definition of Assurance Categories

| Level of Assurance | Definition |
|---|---|
| **Comprehensive assurance** | Sound systems for risk management, governance, and control are in place. These should be effective in mitigating risks to the achievement of business and control objectives. Some improvements to existing controls in a few, relatively minor, areas may be required. |
| **Substantial assurance** | The systems for risk management, governance, and control are largely satisfactory. There is, however, some scope for improvement as the current arrangements could undermine the achievement of business and / or control objectives and leave them vulnerable to risk of error or abuse. |
| **Limited assurance** | The systems for risk management, governance, and control have some satisfactory aspects. However, they contain a number of significant weaknesses that are likely to undermine the achievement of business and / or control objectives and leave them vulnerable to an unacceptable risk of error or abuse. |
| **No assurance** | The systems for risk management, governance, and control are ineffectively designed or are operated ineffectively. Business and / or control objectives are not being achieved, and the risk of serious error or abuse is unacceptable. Significant improvements are required. |

**Stirling Council**

Agenda Item No. 7

Audit Committee

Date of Meeting: 29 August 2024

Not Exempt

# Internal Audit Update Report

## Purpose

This report provides a summary of the findings arising from the Internal Audit assignments finalised since the last meeting of the Audit Committee on 14 March 2024. This is consistent with the Council's Scheme of Delegation, which requires the Committee to review summary Internal Audit reports and the main issues arising.

## Recommendations

The Audit Committee is asked to take assurance from:

1. the findings and conclusions arising from the Internal Audit assignments completed since 14 March 2024.

## Resource Implications

There are no direct resource implications arising from this report.

## Legal & Risk Implications

The role of the Audit Service Manager is to provide the Audit Committee with assurance on the Council's arrangements for risk management, governance and control. Work undertaken by the Internal Audit team aims to reduce or mitigate risks to which the Council may be exposed. This is consistent with Appendix 5a of the Council's Scheme of Delegation which requires the Committee to review summary Internal Audit reports and the main issues arising.

# 1. Background

1.1. Internal Audit's Plan for 2023/2024 was agreed by the Audit Committee at its meeting on 30 March 2023. The Plan for 2024/25 was agreed by the Committee on 14 March 2024.

1.2. The Internal Audit Update reports considered by the Audit Committee at its meetings on 08 June, 24 August and 26 October 2023 and on 18 January and 14 March 2024 set out progress to those dates. This report provides a further update on work completed.

# 2. Considerations

**Progress With Planned 2023/24 Work**

2.1 Since the last meeting of the Audit Committee on 14 March 2024 six assignments have been completed.

- Local Code of Corporate Governance 2023/24;
- Treasury Management;
- SWIFT Data Quality (additional review);
- Scottish Welfare Fund;
- Commercial Waste; and
- Complaints and Enquiries Handling.

2.2 The review of SWIFT Data Quality was undertaken as part of Internal Audit's consultancy role and, specifically, to provide an independent opinion to the Chief Executive.

2.3 A summary of the scope and findings arising from all six assignments listed above is attached at **Appendix 1**, along with the recommendations arising.

2.4 In addition, the following eight assignments are underway:

- Resilience Processes and Arrangements;
- ICT – Network Security and Control;
- Housing Waiting List and Allocations;
- MyPortal: ERP Post Implementation Review;
- ICT – Network Security and Controls (Education);
- Roads and Bridges Asset Management;
- Social Care Commissioning; and
- City Region Deal.

2.5 Summaries of findings and conclusions arising from these assignments will be presented to the Audit Committee at the earliest opportunity.

2.6 All Internal Audit reports include a graded statement of assurance on the effectiveness of controls and governance arrangements for the system or area reviewed. The categories of assurance used by Internal Audit are set out at **Appendix 2**.

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required. This is a 'technical or procedural report' and its consideration by the Audit Committee is not concerned with any proposals to achieve specific aims or to impact on any existing Council policy.

### Climate Change, Sustainability and Environmental Impact

3.2 No direct climate change, sustainability or environmental impacts.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

### External Consultations

3.4 None.

## 4. Background Papers

4.1 EqSIA Screening.

4.2 Internal Audit Plan 2023/24 – Audit Committee Meeting 30 March 2023 and relevant minute of meeting.

4.3 Internal Audit Plan 2024/25 – Audit Committee Meeting 14 March 2024 and relevant minute of meeting.

4.4 Internal Audit Update Reports – Audit Committee Meetings on 08 June, 24 August and 26 October 2023 and on 18 January and 14 March 2024 and relevant minutes of meetings.

## 5. Appendices

5.1 Appendix 1 - Findings Arising from Assignments Completed since the 14 March meeting of the Audit Committee.

5.2 Appendix 2 – Definition of Assurance Categories.

Author(s):

| Name | Designation | Telephone Number/E-mail |
|---|---|---|
| Gordon O'Connor | Audit Service Manager | 01786 233383<br>oconnorg@stirling.gov.uk |

Approved by:

| Name | Designation | Date |
|---|---|---|
| Julia McAfee | Chief Officer - Governance | 19 August 2024 |

| | |
|---|---|
| Details of Convener(s), Vice Convener(s), consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | All |
| Key Priorities: | All |
| Stirling Plan Priority Outcomes: | All |

**Appendix 1**

**Findings Arising from Assignments Completed Since 14 March 2024 Meeting of the Audit Committee.**

| | |
|---|---|
| **Assignment:** | **Local Code of Corporate Governance 2023/24** |
| **Scope & Objectives:** | The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published the 'Delivering Good Governance in Local Government Framework' in April 2016 (the Framework). 'Guidance Notes for Local Authorities' to assist with its implementation were published in December 2016 (the Guidance).<br><br>The Framework sets out best-practice principles to underpin the Council's corporate governance arrangements. It requires that the Council has a Local Code of Corporate Governance (the Local Code), that this reflects and describes its corporate governance arrangements and that the Council reviews and tests its governance arrangements against the best-practice principles, at least annually.<br><br>The Local Code comprises the strategies, plans, policies, systems and procedures that enable the Council to deliver its strategic priorities and objectives and to discharge and demonstrate accountability for the proper conduct of its business. The Council's Local Code has been prepared and developed since 2018 with reference to the CIPFA and SOLACE Framework and Guidance.<br><br>The purpose of Internal Audit work was to provide assurance on:<br><br>• the Council's compliance with the CIPFA and SOLACE Framework, through the development and maintenance of its corporate governance arrangements and Local Code; and<br><br>• the Council's compliance in practice with its corporate governance arrangements and controls, as set out in the Local Code. |
| **Assurance and Findings:** | **<u>Substantial Assurance</u>**<br><br>We were able to provide **Substantial Assurance** that:<br><br>• the Council's corporate governance arrangements, and the Local Code of Corporate Governance approved by the Audit Committee in August 2022, remain consistent with the principles and best practice of the CIPFA and SOLACE 'Delivering Good Governance in Local Government' Framework and Guidance;<br><br>• a comprehensive range of corporate governance arrangements and controls exist and are applied in practice within the Council. These are set out, described and summarised in the Council's Local Code of Corporate Governance; and<br><br>• a number of the Council's strategies, plans, policies and procedures were developed, implemented or revised during 2023/24 and in the period to date. This evidences the continuous development of the Council's corporate governance framework and its operational, financial and internal control arrangements.<br><br>We did, however, make recommendations relating to undertaking:<br><br>• a review and update of the Local Code of Corporate Governance, with a view to submitting a fully-revised and updated Local Code to the meeting of the Audit Committee in August 2025 for consideration and approval;<br><br>• a review and update of the Financial Regulations to reflect the impact of the implementation of the 'MyPortal' ERP system on the Council's financial processes, controls, authorisations and delegations, with submission of a revised set of Financial Regulations to Council, in due course, for consideration and approval; and<br><br>• reviews and updates of the Scheme of Delegation, Scheme of Sub-Delegation and the Contract Standing Orders to reflect, where relevant, the impact of the implementation of 'MyPortal' ERP system, with submission to Council in due course for consideration and approval. |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| **1.** | **Finding**: The Audit Committee has the delegated responsibility from Council to "keep under review the Council's Local Code of Corporate Governance and ensure arrangements for its review and continuing relevance" (Scheme of Delegation – Appendix 5a: effective 10 March 2023). The Audit Committee approved the current Local Code of Corporate Governance on 25 August 2022.<br><br>A report to Council on 01 March 2018 on the 'Draft Revised Local Code of Corporate Governance' led to a decision of Council that authority was "delegated to the Chief Officer – Governance to amend the Local Code of Corporate Governance to reflect any future changes in the Council's structure and governance, legislative or regulatory requirements, subject to a formal review and report [to full Council] at least once every three years." | | | | | |
| | The Chief Officer – Governance should establish an appropriate timeframe and plan to undertake a full review and report on the Local Code of Corporate Governance.<br><br>A revised and updated Local Code should be submitted to a future meeting of the Audit Committee for consideration and approval. Where possible, submission to the Committee meeting of 28 August 2025 would meet the minimum three-year review and reporting cycle. | There is a risk that changes to the Council's governance framework and controls are not adequately and accurately reflected within the Local Code of Corporate Governance, if it is not subject to regular review and update. This could adversely impact on its application and effectiveness. | **Low** | **Recommendation Accepted**<br>The Chief Officer – Governance will undertake a full review of the Local Code of Corporate Governance, and a revised and updated Local Code will be submitted to the meeting of the Audit Committee on 28 August 2025 to meet the agreed minimum three-year review and reporting cycle. | Chief Officer – Gover-nance | August 2025 |
| **2.** | **Finding**: The current Financial Regulations were formally approved by Council on 17 January 2020. Intended action since then to review and update the Financial Regulations has been delayed by vacancies in the post of Chief Officer – Finance and, more specifically, by decisions made to defer that task pending full implementation of the Council's new Enterprise Resource Planning System (ERP), 'MyPortal'.<br><br>'MyPortal' became fully operational on 25 April 2024, replacing the Council's legacy systems for HR, payroll, finance (i.e. ledger, budgeting, 'accounts payable', 'accounts receivable') and procurement. Many financial processes, controls, authorisations and delegations for those aspects of the Council's operations and governance now differ from legacy arrangements. There is now a pressing need to undertake a comprehensive review and update of the Financial Regulations, which we understand from the Acting S.95 Officer is anticipated to begin in Summer 2024. | | | | | |
| | The Acting S.95 Officer (or the Chief Officer – Finance) should establish an appropriate timeframe and plan for a full review and completion of the outstanding update of the Financial Regulations.<br><br>These need to reflect changes in the Council's financial arrangements since 2020, including the impact of the recent implementation of the 'MyPortal' ERP system on the Council's financial processes, controls, authorisations and delegations. | There is a risk that changes to the Council's financial processes, controls, authorisations and delegations may no longer be adequately and accurately reflected in the Financial Regulations, if they are not subject to regular review and update. This could adversely impact upon their application and effectiveness, particularly as a | **Medium** | **Recommendation Accepted**<br>The Acting S.95 Officer (or the Chief Officer – Finance) will undertake and complete the planned review and update of the Financial Regulations.<br><br>These will be submitted to a future meeting of Council for consideration and approval. | Finance Service Manager | March 2025 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| | | result of the changes brought about by the implementation of the 'MyPortal' ERP system. | | | | |
| **3.** | **Finding**: The planned annual review and update of the Council's key governance documents is now falling due, with consequential revisions having been last made to the Standing Orders, the Scheme of Delegation and the Contract Standing Orders in March 2023; and to the Chief Executive's Scheme of Sub-Delegation in November 2022. Since those previous reviews were undertaken, the most significant change to the Council's governance arrangements arise from revised operational and financial processes, controls, authorisations and delegations brought about by the implementation in April 2024 of the 'MyPortal' ERP system. | | | | | |
| | The Chief Officer – Governance should consider an appropriate timeframe e.g. over the Summer recess, to undertake the planned annual reviews and updates of the Council's key governance documents, including the Scheme of Delegation and the Chief Executive's Scheme of Sub-Delegation.<br><br>These need to reflect any changes in the Council's governance arrangements since the last annual review in 2023 including, where relevant, any impacts from the recent implementation of the 'MyPortal' ERP system on the Council's operational and financial processes, controls, authorisations and delegations. Any proposed revisions to the Scheme of Delegation should be submitted to Council, at the earliest opportunity, for consideration and approval. | There is a risk, including as a result of the implementation of 'MyPortal' ERP, that changes to the Council's operational and financial processes, controls, authorisations and delegations may no longer be adequately and accurately reflected in key governance documents, including the Scheme of Delegation and the Chief Executive's Scheme of Sub-Delegation. This could adversely impact upon their application and effectiveness. | **Low** | **<u>Recommendation Accepted</u>**<br>The Chief Officer – Governance will undertake the planned annual reviews and updates of the Council's key governance documents, including the Scheme of Delegation and the Chief Executive's Scheme of Sub-Delegation.<br><br>Where required, these will be submitted to a future meeting of Council for consideration and approval. | Chief Officer – Gover-nance | Dec-ember 2024 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
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| **4.** | **Finding**: There may be impacts arising from the implementation of the Council's 'My Portal' ERP system, from April 2024 which, in our opinion, require an early review and update of the Contract Standing Orders ('the CSOs') to be undertaken, with approval of any proposed amendments to be sought thereafter. Any effects on the Council's procurement processes, controls, authorisations and delegations need to be identified, considered and reflected in the CSOs at the earliest opportunity. | | | | | |
| | The Chief Officer – Governance and the Acting S.95 Officer (or the Chief Officer – Finance) should consider an appropriate timeframe and plan for a full review and update of the Contract Standing Orders ('the CSOs').<br><br>These need to reflect any impacts arising from of the implementation of the 'MyPortal' ERP system on the Council's procurement processes, controls, authorisations and delegations. Any proposed revisions to the CSOs should be submitted to Council, at the earliest opportunity, for consideration and approval. | There is a risk that any impacts arising from the implementation of the 'MyPortal' ERP system on the Council's procurement arrangements may not be adequately and accurately reflected in the Contract Standing Orders. This could adversely impact upon their application and effectiveness. | **Medium** | **Recommendation Accepted**<br>The Acting S.95 Officer (or the Chief Officer – Finance) will undertake and complete a full review and update of the Contract Standing Orders, in consultation with the Chief Officer – Governance.<br><br>These will be submitted to a future meeting of Council for consideration and approval. | Finance Service Manager<br><br>Chief Officer – Gover-nance | March 2025 |

**Appendix 1**

| **Assignment:** | **Treasury Management** |
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| **Scope & Objectives:** | Internal Audit work was designed to provide assurance on whether the Council's treasury management arrangements are robust and effective. In particular, we reviewed whether:<br>• the Council's Treasury Management Strategy, Policy and process documentation are compliant with the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice;<br>• the treasury management function is managing borrowing and cash-flow to meet short, medium and long term financial requirements and sustainability;<br>• procedures are in place to ensure the Council can meet its future capital funding requirements;<br>• treasury management staff are suitably trained, knowledgeable and experienced, and there is adequate separation of duties over treasury management processes; and<br>• reporting on treasury management strategy and performance is undertaken as required to the Council or to the Finance, Economy and Corporate Support Committee and in a timely manner. |
| **Assurance and Findings:** | **<u>Substantial Assurance</u>**<br>We were able to provide **Substantial Assurance** on the Council's arrangements for the governance and management of treasury management activities.<br>The focus of our assurance objectives related to the governance and management of treasury management related activities, to provide assurance that the Council can reliably:<br>• plan for, and maintain, sufficient cash availability for day-to-day requirements;<br>• acquire short-term funding when required and safely invest surplus Council funds on a short-term basis; and<br>• plan and secure long-term capital funding to finance the Council's Capital Programme.<br>We were able to provide assurance that:<br>• the Council's treasury management arrangements and activities were compliant with the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice;<br>• procedures were in place to ensure the Council could meet its future capital funding requirements;<br>• treasury management staff were suitably trained, knowledgeable and experienced, and there was adequate separation of duties over treasury management processes; and<br>• reporting on treasury management strategy and performance was undertaken as required to Council or the Finance, Economy and Corporate Support Committee in a timely manner.<br>However, we made recommendations relating to:<br>• the continued use of scanned signatures as a means of authorising transactions; and<br>• the lack of a mandatory requirement for Finance staff involved in treasury management activities to undertake periodic fraud prevention awareness training. |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
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| 1. | **Finding**: The Council's Treasury Manual Procedures had been drafted pre-COVID-19 when the Daily Cash Control Sheet and the Income Received forms were printed off for signing in manuscript. The pandemic forced a change in procedure, whereby the signatures of authorised staff were inserted into the form (as a scanned image).<br><br>We acknowledge that the attachment of scanned signatures to financial documents was a pragmatic solution for treasury management activities to function properly when staff were required to work remotely. When COVID-19 restrictions were lifted it made good business sense to retain the on-line process. However, we note a risk where the control afforded by 'separation of duties' and 'authorisation limits' could be circumvented, through the established practice of images of authorised signatures being attached to an Excel spreadsheet. | | | | | |
| | The Finance Service Manager (Acting s.95 Officer) should:<br><br>• confirm, in respect of treasury management activities and supporting financial processes, that the 'MyPortal' system will provide appropriate transactional work-flow and ensure and record financial authorisations, from user logins, as part of work-flow processes; or<br><br>• implement an approved electronic signature system for recording authorisation signatures for financial transactions. | Risk that an individual could circumvent their authorisation limit by using another individual's signature image. | **Medium** | **<u>Recommendation Accepted</u>**<br>Treasury Management practices and processes will be reviewed and further developed in line with the transactional work-flow and authorisation processes within 'MyPortal'. | Finance Service Manager<br><br>Finance Team Leader | 30 Septem-ber 2024 |
| 2. | **Finding**: There is no mandatory requirement on the part of the Council for all staff to undertake fraud prevention awareness training, nor do the CIPFA Codes of Practice specifically require it for staff involved in treasury management activities. The Council had also not mandated it in the Treasury Management Strategy Statement 2023/24 (or 2024/25). Treasury management staff do, however, undertake annual fraud prevention awareness training provided by the Royal Bank of Scotland (RBS) as part of their access to RBS banking and payment systems, but not because they work in Finance or for the Council. | | | | | |
| | The Finance Service Manager (Acting s.95 Officer) should consider making periodic (annual) fraud prevention awareness training a mandatory requirement for Finance staff, including those with treasury management responsibilities. | Risk that the deterrent factor of knowing all employees receive regular fraud prevention awareness training will not be realised. | **Low** | **<u>Recommendation Accepted</u>**<br>The 2021 CIPFA Code of Practice introduced a much greater emphasis on training, knowledge and skills.<br><br>A Knowledge and Skills Schedule was prepared to support this requirement and record all relevant training undertaken, and will be updated to include fraud awareness training to reflect this audit recommendation.<br><br>Reference to ongoing training will be included in the quarterly Treasury Management update reports to the Finance, Economy & Corporate Support Committee. | Finance Service Manager | 31 Decem-ber 2024 |

**Appendix 1**

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| **Assignment:** | **SWIFT Data Quality** |
| **Scope & Objectives:** | This review was not part of the approved 2023/24 Internal Audit Plan. The review was carried out as part of Internal Audit's consultancy role and, specifically, to provide an independent opinion to the Chief Executive in relation to the design and operating effectiveness of the controls in place to manage SWIFT data archiving and quality. |
| **Assurance and Findings:** | **N/A - Consultancy**<br><br>The design and operating effectiveness of the controls in place to manage SWIFT data archiving and quality require significant improvement. One of the key tasks identified is the mapping out of the scale of the task to cleanse the data. If done properly, the mapping out work will provide a clear picture to the RSWRS Programme Board of the scale and scope of data cleansing and archiving required. The mapping out work should be completed and the following steps undertaken:<br><br>• the results from the mapping out work should be compared to the data quality work completed to date to establish whether work to date has been appropriately focused;<br><br>• the output from this comparison work should then be reported to the RSWRS Programme Board;<br><br>• the RSWRS Programme Board should decide whether this provides sufficient assurance on the completeness of the data quality work to date or whether additional work is required; and<br><br>• once the volume of data to be archived is understood, the RSWRS Programme Board should decide whether the current solution to transfer all electronic records to the new system remains appropriate.<br><br>If the RSWRS Programme Board decides that additional archiving and / or data quality work is required the following points should be addressed:<br><br>• a formal data quality recovery plan and timetable should be agreed with the RSWRS Programme Board. This should include specifying data quality standards, arrangements for archiving and responsibilities for data quality checking;<br><br>• the introduction of weekly progress reporting to the RSWRS Programme Board;<br><br>• the membership / role of the Data Cleansing Sub-Group should be reviewed. To ensure clear Board ownership, responsibility and accountability for this work stream, the Data Cleansing Sub-Group should be chaired by a member of the RSWRS Programme Board. The Governance Service should also be represented on the Sub-Group membership.<br><br>In our view, the Programme cannot progress to the contract award stage until the recommendations raised in this report relating to data archiving and quality are addressed.<br><br>We reviewed the version of the Business Justification Case that had been submitted by the RSWRS Programme Board to the Chief Executive for approval. In particular, we considered the estimated resources required, the implementation costs and whether key milestones were supported by credible data. We have made recommendations relating to:<br><br>• updating the resources required and implementation cost sections;<br><br>• a requirement for the Business Justification Case to be updated and resubmitted to the Chief Executive towards the end of the planning phase, and once the opportunity has been taken to discuss implementation team and archiving costs with the software provider. This will help to ensure that final determination of costs and financing requirements are subject to appropriate approval. The Programme should not proceed from the planning phase to Phase 1 until the Chief Executive has reapproved the Business Justification Case; and<br><br>• the Senior Responsible Officers undertaking a review of the staff and other resources available to the RSWRS Programme to ensure these are appropriate, consistent and sufficient to meet the known or anticipated requirements. |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
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| 1. | **Finding**: The Project Status Report for April 2023 records that "new Data Cleansing Sub-Group has been established led by the Service Manager ICT & Digital to ensure that data cleansing proceeds at pace. This working group will map out the scale of the task to cleanse the data and feedback monthly to the Steering Group".<br><br>There is no record of the mapping out work ever being completed. In our view, when combined with the lack of archiving these have been missed opportunities by the RSWRS Programme Board, SWIFT Replacement Project Board and the SWIFT Programme Board. | | | | | |
| | As a matter of priority the mapping out work should be completed and the following steps undertaken:<br><br>• the results from the mapping out work should be compared to the data quality work completed to date to establish whether work to date has been appropriately focused;<br><br>• the output from this comparison work should then be reported to the RSWRS Programme Board;<br><br>• the RSWRS Programme Board should decide whether this provides sufficient assurance on the completeness of the data quality work to date or whether additional work is required; and<br><br>• once the volume of data to be archived is understood, the RSWRS Programme Board should decide whether the current solution to transfer all electronic records to the new system remains appropriate. | The potential risk that the RSWRS Programme Board do not have a clear picture of the scale and scope of data cleansing and archiving required. | **High** | **Recommendation Accepted**<br>Review data cleansing undertaken to date and identify what areas have not yet been included within Data Quality Reports:<br><br>Produce summary, by data quality type, noting outstanding errors and total errors fixed to date.<br><br>Review SWIFT and identify data quality types not yet reported on that will have reports developed.<br><br>Quantify number of errors for new data quality types.<br><br>Produce summary of potential data quality types that cannot be data cleansed at this stage but that may potentially be identified by the supplier as being required to be cleansed once the new system has been identified.<br><br>Define acceptable tolerance for data quality errors that will determine the completeness of data quality work and allow the project to proceed to procurement.<br><br>Review operational and technical requirements and approve approach for archiving. | Head of Customer Service and Performance<br><br>Senior Responsible Officers<br><br>RSWRS Programme Board | 31 May 2024<br><br>31 May 2024<br><br>31 May 2024 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
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| | If the RSWRS Programme Board decision is that additional archiving and / or data quality work is required the following points should be addressed:<br><br>• a formal data quality recovery plan and timetable should be agreed with the RSWRS Programme Board. This should include specifying data quality standards, arrangements for archiving and responsibilities for data quality checking;<br><br>• the introduction of weekly progress reporting to the RSWRS Programme Board; and<br><br>• the membership / role of the Data Cleansing Sub-Group should be reviewed. To ensure clear Board ownership, responsibility and accountability for this work stream, the Data Cleansing Sub-Group should be chaired by a member of the RSWRS Programme Board. The Governance Service should also be represented on the Sub-Group membership. | The potential risk that the data quality and archiving arrangements are ineffective and there is insufficient scrutiny by the RSWRS Programme Board of the data quality recovery plan and associated progress. | **High** | **Recommendation Accepted**<br>Define service and operational requirements for archiving including data quality standards, criteria for archival and timeframe beyond which records are archived from the live system.<br><br>Define technical requirements for archiving, review operational requirement for archiving, identify scope for data cleansing pre-archiving, and define archiving costs based on service and operational requirements.<br><br>Develop and implement archiving solution that meets the above requirements and then archive records from live system.<br><br>Continue to undertake data cleansing of live records with progress actioned and monitored via Data Cleansing Sub-Group. Weekly progress reports including number of errors resolved, errors outstanding and percentage progress towards acceptable data quality tolerance to be submitted to the RSWRS Programme Board.<br><br>Review membership and roles of Data Cleansing Sub-Group and agree schedule of meetings. | Senior Responsible Officers<br><br>Head of Customer Service and Performance<br><br>Head of Customer Service and Performance<br><br>Senior Responsible Officers<br><br>RSWRS Programme Board | 30 April 2024<br><br>31 May 2024<br><br>30 June 2024<br><br>30 June 2024<br><br>30 April 2024 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
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| **2.** | **Finding**: The Business Justification Case should specify in more detail the 'Resources Required' and that a realistic budget is in place for the 'Implementation Costs'. | | | | | |
| | The RSWRS Programme Board should update the Business Justification Case to reflect the points in relation to resources required and implementation costs:<br>• the duration of the Programme Manager post;<br>• supporting documentation to show how resources required have been determined;<br>• the involvement of the existing SWIFT support team in the implementation team;<br>• the duration of the Work stream Lead and Analyst / Tester posts;<br>• the rationale supporting the estimated archiving costs;<br>• including the existing SWIFT maintenance costs; and<br>• recording user training costs. | The potential risk that the RSWRS Programme Board cannot demonstrate: whether we have sufficient resources in place or identify where there are gaps and whether we have sufficient budget in place for the implementation costs. As a result, the Programme implementation dates may not be achievable and the Programme budget may not be realistic. | **High** | **Recommendation Accepted**<br>Additional review of resource requirements identified in the existing Business Justification Case including:<br>• Start date and duration of Programme Manager post.<br>• Start date and duration of Workstream Lead and Analyst/Test posts.<br>• Define resource requirements for existing SWIFT support team.<br>• Define rationale for how the resource requirements have been determined.<br>• Update Resource Plan to reflect revised resourcing requirements.<br><br>Additional review of the financial section of the existing Business Justification Case and update to include updated figures for:<br>• Staffing costs for implementation in line with revised resourcing requirements as detailed in the Resource Plan.<br>• Staff training costs.<br>• Archiving costs.<br>• Existing SWIFT maintenance costs. | Senior Responsible Officers<br><br>Senior Responsible Officers | 30 April 2024<br><br>30 April 2024 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
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| | In approving the Business Justification Case there should be a requirement for it to be updated and resubmitted to the Chief Executive towards the end of the planning phase and once the opportunity has been taken to discuss implementation team and archiving costs with the software provider.<br>This will help to ensure that final determination of costs and financing requirements are subject to appropriate approval.<br>The Programme should not proceed from the planning phase to Phase 1 until the Chief Executive has reapproved the Business Justification Case. | The potential risk that the RSWRS Programme Board cannot demonstrate whether we have sufficient budget in place for the implementation costs. As a result, the Programme budget may not be realistic. | **High** | **Recommendation Accepted**<br>Review updated Business Justification Case and approve for submission to Chief Executive. | RSWRS Programme Board | 31 May 2024 |
| **3.** | **Finding**: More detailed information to support the 'Resources Required' section of the Business Justification Case should be retained by the Senior Responsible Officers. | | | | | |
| | The Senior Responsible Officers should undertake a review of the staff and other resources available to the RSWRS Programme to ensure these are appropriate, consistent and sufficient to meet the known or anticipated requirements.<br>The results should be documented in a resource plan and reported to the RSWRS Programme Board. | The potential risk that the RSWRS Programme Board cannot demonstrate whether we have sufficient resources in place or identify where there are gaps.<br>As a result, the Programme implementation dates may not be achievable. | **High** | **Recommendation Accepted**<br>Additional review of the financial section of the existing Business Justification Case and update to include updated figures for:<br>• Staffing costs for implementation in line with revised resourcing requirements as detailed in the Resource Plan.<br>• Staff training costs.<br>• Archiving costs.<br>• Existing SWIFT maintenance costs. | Senior Responsible Officers | 30 April 2024 |

**Appendix 1**

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| **Assignment:** | **Scottish Welfare Fund** |
| **Scope & Objectives:** | We developed our work-plan to allow us to provide independent assurance on whether the Council's Scottish Welfare Fund (SWF) arrangements are robust and effective. Specifically, we considered whether:<br><br>1. the policies, processes and documentation that the Council has in place for the administration of the SWF are compliant with the Welfare Funds (Scotland) Act 2015, Welfare Funds (Scotland) Regulations 2016 and the Scottish Welfare Fund Statutory Guidance;<br><br>2. procedures are in place and are operating effectively for:<br>• setting of priority levels;<br>• processing of claims submitted to the Fund;<br>• approval of grant awards;<br>• authorisation of payments from the Fund; and<br>• requests for reviews of decision-making on unsuccessful claims;<br><br>3. relevant SWF staff are suitably trained, knowledgeable and experienced, and there is adequate separation of duties over processes; and<br><br>4. reporting on the performance of the SWF is undertaken, as required, to the Council and the Scottish Government, and in a timely manner. |
| **Assurance and Findings:** | **<u>Substantial Assurance</u>**<br><br>We were able to provide **Substantial Assurance** in relation to the robustness and effectiveness of the Council's SWF arrangements.<br><br>The focus of our assurance objectives related to the governance and management of SWF related activities, to provide assurance that the Council can:<br><br>• justify the grant priority levels set each month;<br>• take assurance claims processing is compliant with the statutory guidance;<br>• approval of grants was done in an equal and fair way;<br>• authorisation of payments was separate to the approval of grants; and<br>• 1st and 2nd Tier appeal reviews supported the initial decisions made.<br><br>The findings of our audit work were sufficient to enable us to provide assurance that:<br><br>• the Council's SWF arrangements and activities were compliant with the Welfare Funds (Scotland) Act 2015, Welfare Funds (Scotland) Regulations 2016 and the Scottish Welfare Fund Statutory Guidance;<br>• procedures were in place to ensure the SWF could meet its future claimant demand;<br>• SWF staff were suitably trained, knowledgeable and experienced, and there was adequate separation of duties over fund payment processes; and<br>• reporting on SWF performance was undertaken as required to the Scottish Government in a timely manner.<br><br>However, we identified 3 'low' risk findings and have recommended specific improvement actions to address the related risks, which relate to:<br><br>• compliance with the Data Protection Act 2018 (as amended by the Data Protection, Privacy and Electronic Communications (Amendments etc.) (EU Exit) Regulations 2019), known as the UK General Data Protection Regulations3 (UK GDPR), in that:<br><br>a) the Council's Privacy Notice for SWF states personal data will be destroyed after 6 years, which is not taking place, contrary to Regulation 16 of the Welfare Funds (Scotland) Regulations 2016 and Article 5.1.e of the UK GDPR.<br>b) personal data, including 'special category' data is available to Council staff who do not require access to it, which is contrary to Article 5.1.f of the UK GDPR.<br><br>• the lack of operational reporting, internally, of SWF activity and performance beyond the Revenue and Benefits or Finance functions.<br><br>Owing to the nature of SWF claimants' circumstances and the challenging personal information SWF Advisers are regularly exposed to when dealing with claimants, we enquired about staff wellbeing. We were content both SWF staff and management were vigilant to the potentially negative impact of their exposure to claimants' social and lifestyle challenges. |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
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| **1.** | **Finding**: Historical claimant data going back to 2015/16 was held in the Scanned Evidence network folder. This situation places the Council in breach of both Regulation 16 of the Welfare Funds (Scotland) Regulations 2016 and Article 5.1.e of the UK GDPR. | | | | | |
| | The Service Manager – Revenue & Benefits should establish a procedure to securely and effectively delete historic SWF claimant personal data held longer than permitted by Regulation 16 of the Welfare Funds (Scotland) Regulations 2016 and Article 5.1.e of the UK GDPR. | The Council may fail to process personal data in line with Statutory Regulations and the UK GDPR, resulting in reputational damage to the Council and loss of public confidence. | **Low** | **Recommendation Accepted**<br>SWF information held on the network drive in relation to SWF personal data was reviewed. Evidence was provided that information older than stipulated in the SWF Privacy Notice had been deleted, and was confirmed by e-mail from the Service Manager – Revenue & Benefits on 24 June 2024. | Service Manager – Revenue & Benefits | Complete (24 June 2024) |
| **2.** | **Finding**: SWF claimant's personal data was available to Council staff with access to the network drive. A fundamental principle of data protection is the confidentiality of personal data, especially 'special category' personal data, as defined by UK GDPR, Article 9 – Processing of special categories of personal data. Reinforced by Article 25.2 of the regulations. | | | | | |
| | The Service Manager – Revenue & Benefits should liaise with the Service Manager – Digital, Technology & Customer Services on access to secure the SWF folder, limiting claimant personal data to those staff members who require access as part of their role. | There is a risk of unauthorised access by staff to SWF claimant personal data. This may expose the Council to a breach of compliance with the UK GDPR and potential fine by the Information Commissioner. | **Low** | **Recommendation Accepted**<br>Access permissions to the SWF folder on the network drive were reviewed. Those who did not require access to SWF information perform their role had their access removed. Further, a note has been added, by IT, that future access permission requests be authorised by The Service Manager – Revenue & Benefits. | Service Manager – Revenue & Benefits | Complete (20 June 2024) |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
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| **3.** | **Finding**: No evidence was found to show SWF operational activity and performance was reported to the Finance, Economy & Corporate Support Committee, the Operational Governance Board or any other body within the Council. | | | | | |
| | The Finance Service Manager (Acting s.95 Officer) should consider whether there should be a level of management reporting of SWF operational activity and performance provided to the Operational Governance Board. | The Operational Governance Board will not be able, where appropriate, to meet its remit to "drive and monitor operational business…." and assist with continuous improvement in relation to SWF, in the absence of receiving periodic reporting of SWF activity and performance. | **Low** | **Recommendation Accepted**<br>It has been agreed that the Revenue and Benefits Manager will provide information regarding the Scottish Welfare Fund operational activity and performance on a quarterly basis to the Operational Governance Board. | Service Manager – Revenue & Benefits | 31 March 2025 |

**Appendix 1**

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| **Assignment:** | **Commercial Waste** |
| **Scope & Objectives:** | We planned and conducted our audit work to enable us to provide an independent opinion and assurance on:<br><br>1. the application process and agreement(s) for a commercial waste and recycling account;<br>2. the arrangements for scheduling collection days, times and routes (both city centre and rural);<br>3. the controls over invoicing and income control, arrears management and income reconciliation;<br>4. the controls over the stock and management of commercial waste bins and waste sacks; and<br>5. the costs of service delivery and the scope for "full-cost recovery" of the service. |
| **Assurance and Findings:** | **Substantial Assurance**<br><br>We were able to provide **Substantial Assurance** on the adequacy and effectiveness of the control framework relating to the provision of a commercial waste and recycling service.<br><br>The findings from our audit work were sufficient to enable us to provide assurance that the Council:<br><br>• makes appropriate arrangements to collect waste and recycling from commercial premises through its operation of waste accounts and agreements;<br><br>• adequately schedules collection days, times and routes for urban and rural areas following allocations to appropriate routes;<br><br>• has adequate controls in place over invoicing, income and income reconciliation, although income and cash flow could be improved further by invoicing more frequently than quarterly, or doing so sooner after the end of the invoicing period.<br><br>• manages arrears of payment appropriately, although this could also be strengthened by the provision and use of additional management information;<br><br>• has adequate controls over the stock of bins, although this could be improved with the introduction of a minimum / maximum stock re-order level;<br><br>• manages the costs of service delivery through regular budget monitoring, and has considered options for full cost recovery as part of appraisals of the waste service delivery model and reviews of current arrangements.<br><br>We did, however, make recommendations relating to:<br><br>• updating the arrears policy to reflect the impact of new systems, including 'MyPortal', the Council's new ERP system;<br><br>• reviewing the options available to improve the management information reported on routes from the in-cab monitoring system so that this is provided on a regular basis;<br><br>• reviewing invoicing arrangements and considering the payment options available for enabling Direct Debits on 'MyPortal';<br><br>• revision of the terms and conditions in the Customer Agreement to include a charge for commercial waste collections where the service termination notice periods are not adhered to by customers;<br><br>• providing written guidance on circumstances that qualify for a credit note against invoices;<br><br>• exploring with the Arrears Team the management information that 'MyPortal' could provide in relation to invoice payment arrears;<br><br>• reviewing options to improve the management of bin stocks, including minimum stock re-order levels and maximum bin stock holding levels;<br><br>• advising relevant staff of the correct code to be selected from the cash receipting system for sales of sacks to businesses;<br><br>• implementing a process to enable the Commercial Waste Officer to complete a reconciliation of sales to income received for waste sacks; |

**Appendix 1**

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| | • maintaining a record of sales and stocks of waste sacks held at Customer First to support recording and reconciliation of sales income and to provide additional information to the Commercial Waste Officer; and<br><br>• adding 660 litre bins to the list of fees and charges list for 2025/26 for the Council to consider and approve. |

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
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| **1.** | **Finding**: The Commercial Waste Team have a number of procedures and policies which cover all aspects of service delivery. We reviewed these and identified that the Arrears policy requires to be updated. This is out of date and refers to systems that are no longer in operation for example the Customer management system and the financial system. | | | | | |
| | We recommend that the Arrears policy is updated to reflect the systems that now operate for commercial waste and recycling invoicing and customer management. This should also take into account any improvements or change to the arrangements following the introduction of the new financial system 'MyPortal'. | There is a risk that the approach taken to arrears is not consistent and that inexperienced officers may not follow the appropriate procedures if these are not updated. This may lead to a higher level of arrears and loss of income to the Council and challenge over the inconsistency of the approach taken. | **Medium** | **Recommendation Accepted**<br>The Commercial Waste Officer will work with the Arrears Team to create a new Arrears Policy that will consider any implications of changes arising from the introduction of the new financial system 'MyPortal'. | Waste Service Manager | Decem-ber 2024 |
| **2.** | **Finding**: There is no regular reporting of routes taken although this can be requested where available if required. The current contract for in-cab monitoring expires in September 2024 and the procurement of a new system is underway which has improved functionality. | | | | | |
| | We recommend that the service review the options available to improve the management information reported on routes from the in-cab monitoring system so that this is provided on a regular basis. | There is a risk that variances from planned routes are not identified and optimal service delivery is not achieved. | **Medium** | **Recommendation Accepted**<br>The Commercial Waste Officer will input all relevant commercial waste data into the new in-cab monitoring system after the new contract has been awarded and the system has been implemented and is fully operational. This will provide the necessary improvement in available management information. | Waste Service Manager | March 2025 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
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| **3.** | **Finding**: There is no set timetable for generating quarterly invoices and this is decided to allow time for checking and also availability to answer queries once invoices are issued. The charity billing is slightly later than the main billing run as this has significantly less value and in October 2022 this was delayed with the billing being for a 6 month period rather than a quarter. On average the main quarterly invoices were 5 weeks after the period end, with the manual invoices 6 weeks and the charity invoices 7 weeks after. At the time of our review 7% of the outstanding debt was due to be written off as the customer had been sequestrated or had ceased trading. If the invoicing was more frequent or sooner then the level of debt that could be built up before action is taken should be less in such cases. However there would be a cost in terms of administration to enable this to happen. | | | | | |
| | The raising of invoices could be more frequent and we **recommend** that the opportunity should be taken to review invoicing arrangements to improve cashflow and minimise customer debt. The impact of new options for making payments by direct debit on the MyPortal system should also be considered. | There is a risk that delays with the billing runs may not maximise the income due to the Council. This may lead to poor customer experiences and a loss of income to the Council. | **High** | **Recommendation Accepted**<br>The Commercial Waste Officer will work with Finance Service colleagues to ensure that invoices are raised as closely as possible to the quarter end.<br><br>The Commercial Waste Team will closely monitor MyPortal functionality for improvements, and revisit again if necessary. | Waste Service Manager | Decem-ber 2024 |
| **4.** | **Finding**: There were emails from customers and notes on E-financials to support the raising of a credit note. However, there is no written guidance on what is acceptable. For example where the Waste team have not been advised of a closure of a business but the Council has. The current customer waste agreement does not include any provision for charge still to be raised if they fail to advise the Council they no longer require the service and the Waste team attempt to make a collection. | | | | | |
| | We recommend that the Service consider revision of the terms and conditions in the Customer Agreement to include a charge for commercial waste collections where a service termination notice period is not adhered to by a customer; and that written guidance is developed on the circumstances that qualify for a credit note against invoices and charges. | There is a risk that there is a lack of consistency applied in relation to raising of credit notes. | **Medium** | **Recommendation Accepted**<br>The Commercial Waste Officer and the Waste Collections Team Leader will draft a revised Customer Agreement for future customers to include a charge for commercial waste collections where a service termination notice period is not adhered to by a customer.<br><br>The Commercial Waste Officer and the Waste Collections Team Leader will also draft written guidance on the circumstances that qualify for a credit note against invoices and charges. | Waste Service Manager | Novem-ber 2024 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| 5. | **Finding**: While there is no overarching service report the Arrears team do contact the Commercial Waste Officer when there is non-payment of invoices. Arrears also advise when they are about to send debts to the Sheriff Officers for pursuit. The Waste Service Manager receives no management information from Arrears about non-payments. | | | | | |
| | We recommend that the Waste Service Manager should explore with the Arrears team what additional management information the MyPortal system could provide in relation to payment arrears. | There is a risk that Waste services are not aware of customers circumstances. This may lead to a loss of income when the service continues to be provided when this may be inappropriate. | **Medium** | **Recommendation Accepted**<br>A 'Trade Waste' report is now being generated from MyPortal and sent to the Commercial Waste Officer on a monthly basis to prompt for payment of arrears or withdrawal of service. | Waste Service Manager | Comp-leted (August 2024) |
| 6. | **Finding**: There are no minimum bin re-order levels but it is planned to implement these as part of the replacement in-cab technology system to be put in place when the contract expires in September 2024. This new system also has a commercial waste module with an app that could be used to track deliveries and would also send alerts to the managers when more bins are required. | | | | | |
| | We recommend that a review is undertaken of options available to improve the management of bin stocks including the introduction of minimum stock re-order levels and maximum bin numbers. | There is a risk that stocks of bins would be depleted and lead to a shortage of bins to be available for customers resulting in reputational damage to the council. | **Medium** | **Recommendation Accepted**<br>The Waste Collections Team Leader will set up a system whereby minimum bin stock levels would automatically trigger a requirement for stock re-ordering. | Waste Service Manager | October 2024 |
| 7. | **Finding**: Sales of sacks to residents should be coded to Refuse Collection : Sales which is financial code 12370/6480. Whereas Commercial Waste sacks should be coded to 12350/6765 Commercial Waste : Trade waste It was noted that sales to businesses such as dentists, opticians and estate agents were incorrectly coded to the residents sales code. | | | | | |
| | We recommend that relevant staff are advised of the correct code to be selected from the cash receipting system for sales of sacks to businesses. | There is a risk that charges are coded to the incorrect financial ledger code leading to mis-reporting of income and misleading financial information. | **Medium** | **Recommendation Accepted**<br>The Commercial Waste Officer has set up a meeting with Contact Centre and Customer First colleagues to look at action required to ensure ledger coding for sales of sacks is carried out correctly and to ensure income is reported accurately. | Waste Service Manager | October 2024 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| 8. | **Finding**: Sales of sacks are recorded through CoDo (Customer Services system) and the income is on the pay.net cash receipting system. CoDo does not retain details of the rates held on the system previously and the charge for delivery of sacks is not defined on the system but added separately. We reviewed the sales for 22/23 and 23/24 and identified that income did not always match the charge expected. A sale in March 2024 was at the rate that applied in 2022.<br>There is no management reporting on sales of sacks. The current system for recording sales CoDo was due to be replaced but this has been delayed and currently it is not known when this will happen. | | | | | |
| | We recommend that a process is implemented to enable the Commercial Waste Officer to complete a reconciliation of sales to income received for sacks so that incorrect charges can be identified and action taken to resolve any issues highlighted. | There is a risk that incorrect charges are applied to the sales of waste sacks. This may lead to a loss of sales income. | **High** | **Recommendation Accepted**<br>Digital Team and Contact Centre colleagues have been advised of fees and charges.<br><br>The Commercial Waste Officer doesn't currently have access to the Pay.net system but will work with Contact Centre and Customer First colleagues to determine a new process to enable them to reconcile the income for the sales of sacks. | Waste Service Manager | Novem-ber 2024 |
| 9. | **Finding**: At Customer First there are no stock records. The officers monitor the number of boxes of sacks they hold and request these from Waste Services as required. There is no overall reconciliation of sacks sold to income received. | | | | | |
| | We recommend that a record of sales/stocks of sacks held at Customer First should also be maintained to support sales income and to provide additional information to the Commercial Waste Officer. | There is a risk that stocks of sacks may not be fully accounted for. This may lead to a loss of income for Waste Services. | **High** | **Recommendation Accepted**<br>The Commercial Waste Officer has arranged to meet with the Customer First Team Leader to explore what is needed to implement a new stock control system.<br><br>An order has also been placed to change the commercial sack colour to blue (from purple) to differentiate more easily between domestic and commercial sacks more easily. | Waste Service Manager | October 2024 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| 10. | **Finding**: Commercial Waste charges are agreed by the Council as part of the annual budget process and have been increased by inflation only (5%) in 23023/24. The charges for 24/25, approved by Council on the 29 February 2024, have been updated to detail the change from Landfill Tax to Energy from Waste but the charge for the 660L size bin is not itemised. The fee is in proportion to the other bin sizes. | | | | | |
| | We recommend that the 660L bins are added to the fees and charges list for 25/26 for the Council to consider. | There is a risk that fees and charges are incorrect leading to challenges from customers. | **Low** | **Recommendation Accepted**<br>This has already been communicated to the Service Accountant and will be included in the next fees and charges list. | Waste Service Manager | Septem-ber 2024 |

**Appendix 1**

| **Assignment:** | **Corporate Complaints and Enquiries Processes** |
|---|---|
| **Scope & Objectives:** | We planned our work to enable us to provide independent assurance and audit opinion on:<br><br>• whether the Council has adequately implemented the requirements of the Scottish Public Sector Ombudsman 'Model Complaints Handling Procedures';<br><br>• the robustness of the arrangements for capturing, recording and responding to and resolving customer complaints (Stage 1 – Frontline Resolution);<br><br>• the robustness of the arrangements for subsequent investigation and resolution of complaints not responded to the satisfaction of the complainer (Stage 2 - Investigation);<br><br>• the robustness of the arrangements for capturing, recording and responding to enquiries received from Councillors, MSPs and MPs;<br><br>• whether there are adequate arrangements for recording, monitoring and managing performance in dealing with complaints and enquiries, in line with the required timescales;<br><br>• whether performance in dealing with complaints and enquiries is reported accurately and regularly to management, to elected members and externally, as required; and<br><br>• whether staff dealing with complaints and enquiries, across Services and within the Customer Services and Relationships team are appropriately supported, trained and developed to carry out their respective roles effectively. |
| **Assurance and Findings:** | The focus of our assurance objectives related to the arrangements for dealing with complaints under the Council's 'Complaints Handling Procedure', as developed with reference to the Scottish Public Sector Ombudsman 'Model Complaints Handling Procedure', and enquiries received from Elected Members, MSPs and MPs and Community Councils. These are managed by the Corporate Complaints team within the Customer Services and Relationships function.<br><br>The findings of our audit work were sufficient to enable us to provide assurance that:<br><br>• the Council has adequately implemented the requirements of the SPSO 'Model Complaints Handling Procedures' which are reflected in its operational practices and in the Complaints Handling Procedure and Customer Guidance;<br><br>• the Council has appropriate and suitable arrangements in place to capture, record, respond to and resolve customer complaints (Stage 1 – Frontline Resolution) and for complaints not resolved at 'Stage 1' to the satisfaction of the complainer (Stage 2 - Investigation);<br><br>• the Council has appropriate and suitable arrangements in place to deal with enquiries from Elected Members, MSPs and MPs and Community Councils;<br><br>• the Council has appropriate and suitable arrangements in place to manage performance in dealing with corporate complaints and enquiries. Any corrective action taken, or to be taken, to improve performance is also reported to the Operational Governance Board (the 'OGB') in a quarterly 'Complaints and Enquiries' report;<br><br>• internal reporting of performance on complaints and enquiries is undertaken on a regular basis to Services and to senior management (through the OGB), and there is a process of regular reporting to Services to help them to manage 'open' complaints and enquiries;<br><br>• timescales for response to complaints and enquiries are adequate with regards to the arrangements for recording, monitoring and managing performance;<br><br>• staff engaged in the management of complaints and enquiries are properly trained, adequately supported and clearly understand their roles and responsibilities within those processes; and<br><br>• awareness sessions have helped staff and Elected Members to understand the complaints and enquiries processes, to manage their expectations of those processes and to know when and how those processes should be used.<br><br>However, we identified 1 'high', 3 'medium' and 4 'low' risk findings and recommended specific improvement actions to address the related risks, which relate mainly to: |

**Appendix 1**

| | |
|---|---|
| | • reviewing the potential scope for, and benefits arising from, consolidation of the corporate complaints and enquiries processes and data onto a single, Council-wide system – and supporting that with a business case, if required;<br><br>• reviewing how best to continue to meet the basic support needs for CoDo, Verint and manual systems between third party provider(s) and the Council's Digital Team, pending any system consolidation taking place;<br><br>• ensuring the Council's Complaints Handling Procedure and Customer Guidance - Complaints Handling Procedure documents are regularly reviewed to reflect the Council's current operating environment and that, in future, both documents incorporate version history control;<br><br>• including further explanatory and contextual information for complaints and enquiries performance indicators within future Annual Reports and Council-wide Annual Performance Reports, and ensuring that the current and all prior year reports are fully accessible on the Council website; and<br><br>• the Corporate Complaints team seeking to further raise awareness across the Council of the complaints and enquiries processes, including engagement with Council Services to raise awareness and to promote further uptake of on-line Customer Service training. |

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| 1. | **Finding**: the Council's Complaints Handling Procedure document, which is available on the Source (Complaints Handling Procedure) was published in 2021 and does not appear to have been reviewed or updated since then. The document no longer reflects the Council's current structures and operating environment. | | | | | |
| | The Council's Complaints Handling Procedure and Customer Guidance - Complaints Handling Procedure documents should be regularly reviewed to ensure that they continue to be consistent with established practice and reflect any changes in the Council's operations, structures and contact points. | Outdated procedures and documents can become inefficient and ineffective; and may not reflect current processes or the operational environment. | **Low** | **Recommendation Accepted**<br>Annual reviews of all Stirling Council Complaints documentation and Policies will be undertaken and communicated, as required. Any changes to Policies and Procedures will, on an ongoing basis, continue to incorporate guidance from Local Complaint Handlers Network and the SPSO.<br><br>Structure changes will be recorded on relevant systems, and statistics will be managed and reported on according to structural changes.<br><br>A process of annual reviews of website documentation and templates will be implemented and any further changes will be updated throughout each year, as and when required. | Head of Customer Service and Performance<br><br>Head of Customer Service and Performance<br><br>Head of Customer Service and Performance | January 2025<br><br>January 2025<br><br>January 2025 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| **2.** | **Finding**: there is no version or change control history in place for either the Council's Complaints Handling Procedure document or the Customer Guidance - Complaints Handling Procedure. These would be helpful, particularly to identify that regular reviews and updates of the documents were taking place, taking account of any material changes since their previous review. | | | | | |
| | The Council's Complaints Handling Procedure and Customer Guidance - Complaints Handling Procedure documents should, in future, both include document version history control information, reflecting their periodic review and update. | This could lead to working on old versions, losing track of document revisions, and ultimately to a loss of confidence in the process. | **Low** | **Recommendation Accepted**<br>Any changes to the Complaints Handling Procedure and Customer Guidance will be recorded in future with version number and date when published. These documents will be reviewed annually or when changes occur that require them to be updated. | Head of Customer Service and Performance | January 2025 |
| **3.** | **Finding**: The Corporate Complaints team currently has to use multiple legacy systems to log, monitor and report performance with complaints and enquiries. Complaints data is managed via the "CoDo" system, except for the Schools and Learning Service which uses its own internal processes to record and manage complaints.<br><br>Elected Member, MSP and MP enquiries are managed via the "Verint (Lagan)" system and Community Council enquiries are not held on the "Verint (Lagan)" system and are managed, instead, by the Community Council Enquiries Co-ordinator within the Community Engagement team using a manual system.<br><br>There is a lack of available development resources (both people and time) particularly for "CoDo", which is a bespoke system. The original software developers are no longer trading. Basic support is provided by a third party and may also be provided on an issue by issue basis by the Council's Digital Team. | | | | | |
| | A review should be undertaken and a business case prepared for possible consolidation of the corporate complaints and enquiries processes and data onto a single, Council-wide system. The aims would be to provide a more effective and efficient approach than the current use of multiple systems, to eliminate the duplication of effort that exists and the issues with current overheads and support resources required. | This leads to the risk of inconsistency and duplicity in the processing and reporting which also increases the risk of data handling issues. | **High** | **Recommendation Accepted**<br>An Options Appraisal and Business Case to rationalise complaints management onto a single system will be developed. | Head of Customer Service and Performance | March 2025 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| **4.** | **Finding**: There is a lack of available development resources (both people and time) particularly for "CoDo", which is a bespoke system. The original software developers are no longer trading. Basic support is provided by a third party and may also be provided on an issue by issue basis by the Council's Digital Team. | | | | | |
| | Pending any potential consolidation of corporate complaints and enquiries processes and data onto a single, Council-wide system, a review should be undertaken to identify how best to continue to meet the basic support needs for CoDo, Verint and other systems between third party provider(s) and the Council's Digital Team, recognising the constraints on available in-house resources. | This leads to the risk of inconsistency and duplicity in the processing and reporting which also increases the risk of data handling issues | **Med-ium** | **Recommendation Accepted**<br>A new suite of reports for corporate complaints and enquiries will be developed, utilising a single reporting tool.<br><br>Options to develop a call off maintenance support agreement for CoDo within existing teams and from external providers will be identified. | Head of Customer Service and Performance<br><br>Head of Customer Service and Performance | Decem-ber 2025<br><br>Decem-ber 2024 |
| **5.** | **Finding**: the current 'management structure' used within the "CoDo" system and the "Verint (Lagan)" system is not representative of the current Council Service structure and is out of date. The Schools and Learning Service and the Community Council Enquiries Co-ordinator use their own respective manual systems. This has led to delays and issues with reports extracted from the system for management information and reporting purposes, and requiring manual amendments before their release and distribution. | | | | | |
| | A review should be undertaken to identify the potential to improve upon the approach currently in use to consolidate and amend complaints' and enquiries' data held within CoDO, Verint, and the Schools and Learning and Community Council Co-ordinators' systems, into the Council's current operational management structure.<br><br>The review should seek to reduce the extent of manual effort required and to use greater automation. It should also seek to reduce the risk of errors in the allocation of complaints or enquiries to Services or functions, and the resultant impact on management information and reporting. | There is a risk that the manual effort being required could result in incorrect data being reported. | **Med-ium** | **Recommendation Accepted**<br>A new suite of reports for corporate complaints and enquiries will be developed, utilising a single reporting tool. | Head of Customer Service and Performance | Decem-ber 2025 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| 6. | **Finding**: acknowledgement letters for 'Stage 2' complaints are not consistently recorded and saved in the "CoDo" system. The acknowledgement letter is recorded in the log of actions for the complaint, but the actual document is not always held in "CoDo" to allow it to be viewed from within the system. | | | | | |
| | All acknowledgment letters or emails sent should be saved and attached to the complaint record within CoDo and a regular review process should be established to confirm and verify that this, and all documentation, has been completed in respect of each and every logged complaint. | There is a risk that insufficient accessible records are held to confirm that the process is being adhered to, leading to the potential for external review and reputational damage to the Council. | **Low** | **Recommendation Accepted**<br>Corporate complaints procedural documentation will be updated in relation to the retention of acknowledgment letters or emails, and revised and related working practices will be implemented.<br><br>Implement a monthly quality control process to review all live Stage 2 complaints to ensure relevant documents are attached and timescales are being met in line with Procedure. Any discrepancies are to be rectified and notes applied to case files with reason and action. | Head of Customer Service and Performance<br><br>Head of Customer Service and Performance | January 2025<br><br>March 2025 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| 7. | **Finding**: At the time of our review the Corporate Complaints team had prepared the 2022-23 and the 2023-24 Annual Reports, but only the 2022-23 report was available to access on the Council's website. Providing website links to prior year reports would also be useful for interested parties; and<br><br>Whilst the Annual Report provides the required information on the 8 performance indicators, along with prior year comparisons, it could be enhanced and extended in future to provide further explanatory and contextual information to clarify what is being reported upon. | | | | | |
| | The content of future Annual Reports and Council-wide Annual Performance Reports should include relevant performance indicator information and further explanatory and contextual information for each performance indicator. In addition, all previous annual reports should be made fully accessible on the Council website. | There is a risk of a lack of transparency and historical information to provide trend analysis, and may lead to additional complaints. | **Low** | **<u>Recommendation Accepted</u>**<br>Action will be taken to ensure that there are 3 years of performance data available to the public on the Council website for comparison, to meet the legal requirement for complaints information.<br><br>Agreed actions and learning will be monitored and highlighted to ensure these are carried out as agreed. Information will be published on the Council website alongside customer compliments.<br><br>Information will be published quarterly on the Council website, identifying themes, improvement actions taken and providing comparisons to previous years to demonstrate improvements and highlight good practice and compliments from the public.<br><br>Customer feedback information will be reviewed and analysed to ensure this reflects the 'complaints journey'. | Head of Customer Service and Performance<br><br>Head of Customer Service and Performance<br><br>Head of Customer Service and Performance<br><br>Head of Customer Service and Performance | Decem-ber 2024<br><br>April 2025<br><br>Decem-ber 2024<br><br>Decem-ber 2024 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| | Quarterly 'Corporate Enquires and Complaints Update' reports submitted to the Operational Governance Board should subsequently be made available to all Council staff for information. This could be achieved by placing them on the Source page for Customer Complaints, and supported by a Council-wide email from the Corporate Complaints team containing a link to the reports. | There is a risk of a lack of transparency and failure to encourage good customer service which could lead reduce the level of complaints received. | **Low** | **Recommendation Accepted**<br>Action will be taken to review and communicate customer complaints performance internally across appropriate channels on a quarterly basis. | Head of Customer Service and Performance | Decem-ber 2024 |
| **8.** | **Finding**: Customer Service training (e-learning) is available as part of the online training catalogue of the new ERP system. We noted from our review that the Customer Service training might usefully be enhanced and expanded to place more emphasis on complaint and enquiry handling. It has not been possible to gather up-to-date statistics, but the most recently available information presented in the quarterly reports to the Operational Governance Board ('OGB') suggested only 36% of staff had undertaken the course. | | | | | |
| | Once the recently implemented 'My Portal' ERP system has had time to settle, the Corporate Complaints team should seek to further raise awareness across the Council of its complaints and enquiries handling processes, including through the Council's on-line corporate training and development facilities. This should include engagement with Services to raise awareness and to promote uptake of the on-line Customer Service training. The Corporate Complaints team should also seek to enhance and expand the online Customer Service training offering to place more emphasis on complaint and enquiry handling. | Risk that we do not consistently recognise and record complaints and enquiries leading to more time required on dealing with complaints. | **Med-ium** | **Recommendation Accepted**<br>A review of toolbox information for customer complaints on the Source will be undertaken.<br><br>A bi-annual feature will be included in the staff newsletter / portal signposting staff to toolbox information in relation to customer complaints.<br><br>The benefits of the complaints and compliments processes and their importance and benefits to staff and customers will be highlighted to Services via OGB and the Service Managers forum.<br><br>A meeting will be arranged with Elected Members to update and refresh policies and procedure for elected member enquiries. Guidance documentation will be provided to all elected members and other internal stakeholders.<br><br>A new Mandatory Customer Services Training package will be developed, | Head of Customer Service and Performance<br><br>Head of Customer Service and Performance<br><br>Head of Customer Service and Performance<br><br>Head of Customer Service and Performance<br><br>Head of Customer Service and Performance | Septem-ber 2024<br><br>Septem-ber 2024<br><br>Novem-ber 2024<br><br>August 2024<br><br>March 2025 |

**Appendix 1**

| No | Recommendation | Reason for Recommendation (Risk) | Rating | Agreed Management Action | Respon-sible Owner | Action Comple-tion Date |
|---|---|---|---|---|---|---|
| | | | | incorporating complaints procedures and where to locate staff guidance / toolbox information. | | |

**Appendix 2**

## Definition of Assurance Categories

| Level of Assurance | Definition |
|---|---|
| **Comprehensive assurance** | Sound systems for risk management, governance, and control are in place. These should be effective in mitigating risks to the achievement of business and control objectives. Some improvements to existing controls in a few, relatively minor, areas may be required. |
| **Substantial assurance** | The systems for risk management, governance, and control are largely satisfactory. There is, however, some scope for improvement as the current arrangements could undermine the achievement of business and / or control objectives and leave them vulnerable to risk of error or abuse. |
| **Limited assurance** | The systems for risk management, governance, and control have some satisfactory aspects. However, they contain a number of significant weaknesses that are likely to undermine the achievement of business and / or control objectives and leave them vulnerable to an unacceptable risk of error or abuse. |
| **No assurance** | The systems for risk management, governance, and control are ineffectively designed or are operated ineffectively. Business and / or control objectives are not being achieved, and the risk of serious error or abuse is unacceptable. Significant improvements are required. |

**Stirling Council**

Agenda Item 8

Audit Committee

Date of Meeting: 29 August 2024

Not Exempt

# Audit Committee Annual Report 2023-24

## Purpose

The purpose of this report is to present the Audit Committee Annual Report for 2023-24 (the 'Annual Report') and to recommend that the Annual Report is referred to Council to provide assurance on the performance of the Audit Committee in terms of its delegated functions, as set out in the Council's Scheme of Delegation. This is in line with Appendix 5a of Council's Scheme of Delegation.

Preparation of the Annual Report enables the Audit Committee to comply with the best practice guidance issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) in its publication entitled 'Audit Committees: Practical Guidance for Local Authorities and Police (2013)' (the 'guidance') and subsequent 'Position Statement: Audit Committees in Local Authorities and Police (2022)' (the 'position statement').

The guidance and position statement require the Audit Committee to report annually on how it has complied with the guidance and position statement and how it has discharged its responsibilities as set out in the Council's Scheme of Delegation.

## Recommendations

The Audit Committee is asked to:

1. take assurance from the Audit Committee Annual Report 2023-24; and
2. approve the submission of the Annual Report to the meeting of the Council on 10 October 2024.

## Resource Implications

There are no direct resource implications arising from this report.

## Legal & Risk Implications

The key risks to the achievement of Council priorities are set out in the Strategic Risk Register. Appendix 5a of the Council's Scheme of Delegation requires the Audit Committee to provide independent assurance on the adequacy of arrangements for risk management, governance and control. This includes the consideration of assurance on the adequacy of actions taken to mitigate against strategic risks.

The Scheme of Delegation also requires the Audit Committee to prepare and refer to Council an annual report on the performance of the Committee in terms of its delegated functions. This is in line with good practice set out in the CIPFA guidance and position statement.

## 1. Background

1.1. CIPFA's guidance and position statement set out its view of best practice for Audit Committees in local authorities and on the role and functions of an Audit Committee.

1.2. Stirling Council's Audit Committee has prepared an Annual Report with information on the performance and discharge of its remit and functions since 2015/16.

## 2. Considerations

2.1. CIPFA's guidance and position statement require that Audit Committees report annually on how they have discharged their responsibilities.

2.2. At its meeting on 3 September 2015 the Audit Committee agreed that each year the Audit Service Manager should prepare an Audit Committee Annual Report, in consultation with the Convener.

2.3. A draft Audit Committee Annual Report for 2023-24 is attached at Appendix 1. This contains information on:

- Audit Committee membership and meetings held during the year;
- summaries of Audit Committee activity and decisions; and
- an annual assurance statement to the Council.

2.4. Following this meeting, and subject to approval by the Audit Committee, the Audit Service Manager will present the Annual Report to the meeting of the Council on 10 October 2024.

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required. This is a 'technical or procedural report' and its consideration by the Audit Committee is not concerned with any proposals to achieve specific aims or to impact on any existing Council policy.

### Climate Change, Sustainability and Environmental Impact

3.2 No direct climate change, sustainability, or environmental impacts.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

**External Consultations**

3.4 None.

## 4. Background Papers

4.1 EqSIA Screening.

4.2 Audit Committee Annual Report and Self-Assessment, Audit Committee, 03 September 2015 and relevant minute of the meeting.

## 5. Appendices

5.1 Appendix 1 – Audit Committee Annual Report 2023-24.

Author(s)

| Name | Designation | Telephone Number/E-mail |
|---|---|---|
| Gordon O'Connor | Audit Service Manager | 01786 233383<br>oconnorg@stirling.gov.uk |
| Steven McDermott | Internal Audit Team Leader | 01786 233379<br>mcdermotts@stirling.gov.uk |

Approved by

| Name | Designation | Date |
|---|---|---|
| Julia McAfee | Chief Officer – Governance | 1 August 2024 |

| | |
|---|---|
| Details of Convener(s), Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | All |
| Key Priorities: | All |
| Stirling Plan Priority Outcomes: | All |

**Appendix 1**

# Stirling Council
# Audit Committee Annual Report
# 2023-24

Draft for Audit Committee Approval

DRAFT

# Contents


| | | |
|---|---|---|
| 1. | Introduction | 1 |
| 2. | Audit Committee Remit and Delegations | 1 |
| 3. | Audit Committee Membership and Meetings | 2 |
| 4. | Audit Committee Training, Development and Self-Assessment | 2 |
| 5. | Audit Committee Activity and Performance | 3 |
| 6. | Audit Committee Assurance Statements | 10 |


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## 1. Introduction

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) published recommended best-practice guidance for the operation of Audit Committees in local authorities across the United Kingdom in its publication entitled 'Audit Committees: Practical Guidance for Local Authorities and Police (2013)' (the 'guidance'); and in its subsequent 'Position Statement: Audit Committees in Local Authorities and Police (2022)' (the 'position statement').

1.2 The guidance and position statement have been adopted by the Council as an integral element of its corporate governance framework, which is set out in the Council's Local Code of Corporate Governance. The Council has committed to ensuring that the remit, function and operation of its Audit Committee complies with the guidance and the position statement.

1.3 A key element of the guidance is that an Audit Committee should be held to account on a regular basis. In practice within Stirling Council this means accountability to full Council. The guidance recommends that the preparation of an annual report by the Audit Committee can be a helpful way to enable the Committee to demonstrate its accountability to the Council.

## 2. Audit Committee Remit and Delegations

2.1 The remit and delegations to the Audit Committee derive from the decision made by Stirling Council to establish an Audit Committee and to delegate specific powers to the Committee rather than to reserve those powers to itself.

2.2 The current remit and delegations to the Audit Committee are set out in detail in Appendix 5a ('Remit and Delegations to the Audit Committee') of the Council's Scheme of Delegation, effective from 10 March 2023.

2.3 The purpose of the Audit Committee is to provide independent assurance on the adequacy of arrangements for risk management, governance and control.

2.4 The Scheme of Delegation also requires the Audit Committee to prepare and refer to Council an annual report on the performance of the Committee in terms of its delegated functions.

2.5 This Annual Report has been prepared to:

- meet the requirements of the CIPFA guidance and position statement;
- meet the requirements of the Council's Scheme of Delegation;
- ensure that the Committee clearly reports to the Council on the adequacy of the Council's arrangements for risk management, governance and control arrangements; and
- inform the Council about the Committee's activity and performance during and in respect of financial year 2023-24.

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## 3. Audit Committee Membership and Meetings

### Audit Committee Membership

3.1 During 2023-24, the following served as appointed members of the Audit Committee:

- Councillor Scott Farmer (Convener)
- Councillor Neil Benny
- Councillor Danny Gibson [1]
- Councillor Jim Thomson
- Councillor Rosemary Fraser (Vice-Convener)
- Councillor Paul Henke
- Councillor Alasdair Tollemache
- Councillor Chris Kane [1]

[1] – Councillor Danny Gibson was appointed to the Audit Committee by Council at its meeting on 07 December 2023, replacing Councillor Chris Kane.

3.2 Quorum for the Audit Committee is four Members.

### Audit Committee Meetings

3.3 The Audit Committee met on six occasions during 2023-24: on 08 June, 24 August, 26 October and 23 November 2023; and on 18 January and 24 March 2024. At its meeting on 30 May 2024 the Council agreed to suspend all meetings of Council, committees and panels between 31 May 2024 and 28 June 2024 to allow officers to prepare for the UK Parliamentary general election. This included the Audit Committee meeting of 20 June 2024. As a result of that, the Committee also received and considered reports relating to the 2023-24 audit plan year at its meeting on 29 August 2024.

3.4 All Committee meetings took place in compliance with the Council's Scheme of Delegation and Standing Orders. Since August 2022 meetings have been held using the Council's hybrid meeting platform to allow remote and physical participation. Meetings have been live-streamed and made available publicly on the Council's live streaming website.

## 4. Audit Committee Training, Development and Self-Assessment

4.1 Members of the Audit Committee are appointed to that Committee by the Council. Political groups nominate members and Council is responsible for formally appointing members to the Committee based on an 'Appointments' report produced by officers.

4.2 All elected Members undergo a programme of induction following their election to the Council. An induction training session on the role of the Audit Committee was delivered by the Audit Service Manager on 18 August 2022. Induction training is supplemented by training and briefings for all Members relevant to both their role as a Councillor and as a member of a particular decision-making committee, other committee (eg Audit Committee, Public Safety Committee) or Panel (eg Planning and Regulation Panel, Education Appeals Panel).

4.3 Members of the Audit Committee have specific responsibilities relating to the provision of independent assurance on the adequacy of arrangements for risk management, governance and control. That means that they must have a good understanding of risk and control. Reports to the Committee are drafted in a way that supports the need to ensure that Members are fully and clearly informed.

4.4 This has improved recently with clear reference to the Strategic Risk Register becoming more embedded in the Legal and Risk Implications section of reports considered by all

Committees. A report to raise awareness of the Strategic Risk Register was considered by Council on 02 May 2024 and reports on risk management will be presented to each of the decision-making committees after the summer recess. These reports will help members of the decision-making Committees better understand their roles and responsibilities in terms of the consideration of strategic risk.

4.5 CIPFA guidance is clear that an Audit Committee's effectiveness should be judged by the contribution it makes to the Council's business. The guidance recognises that this can be difficult, but provides a self-assessment checklist as an appendix. The guidance suggests that regular self-assessment can helpfully support the planning of the Committee's work programme and inform the annual report on the work of the Committee.

4.6 Following it's scheduled meeting on 14 March 2024 the Committee undertook a self-assessment exercise. The self-assessment took the form of a discussion supplemented with the opportunity for members of the Committee to articulate written thoughts on the operation of the Committee via a summary checklist.

4.7 Discussion was open, honest and apolitical. In general, Members felt that the Committee was effective and well supported in discharging the roles and responsibilities set out in the Scheme of Delegation. A theme emerging, however, was the need to ensure that members of the Committee receive training and briefings on the assurance role of the Committee to support them in their role. The Chief Officer – Governance and the Audit Service Manager have committed to ensuring that appropriate training and support is provided in the period up to the next local government elections in 2026. As a first step, the Chief Officer – Governance and the Audit Service Manager will devise and deliver a session around the respective roles of the Internal Audit, Risk Management, Corporate Fraud teams.

## 5. Audit Committee Activity and Performance

5.1 The Audit Committee Annual Report enables the Committee to clearly demonstrate delivery of its key responsibilities and accountabilities for providing the Council with independent assurance on the adequacy of arrangements for risk management, governance and control.

5.2 The Committee performed its work during, and in relation to, 2023-24 by receiving, considering, scrutinising and following up the outcomes from reports from various assurance providers, including:

- Internal Audit;
- Risk Management;
- Accounting Operations; and
- Corporate Fraud;
- External Audit;
- Regulatory or assurance bodies.

5.3 Copies of the Audit Committee agenda papers for the current meeting cycle and approved Minutes of meetings of the Audit Committee are available to the public on the Council's website.

### Internal Audit and Corporate Fraud

5.4 The Committee received 43 reports and other outputs from the Audit Service Manager and Chief Officer – Governance in relation to planned and unplanned audit reviews, annual assurance work and counter fraud activity.

5.5 This enabled the Committee to consider summaries of Internal Audit reports, periodic reports on Services' progress with implementing agreed Internal Audit recommendations and the Audit Service Manager's Internal Audit Annual Assurance Report, and to monitor the

effective development and operation of whistleblowing arrangements and arrangements for the prevention and investigation of fraud and irregularity. This is in line with Appendix 5a of the Scheme of Delegation.

5.6 Details of the Internal Audit and Corporate Fraud reports and other outputs considered during, or in relation to, 2023-24 are set out in Tables 1 and 2 below.

**Table 1 – Internal Audit Reviews and Reports**

| Audit Report | Committee Date | Internal Audit Assurance Level | Recommendations | | | |
|---|---|---|---|---|---|---|
| | | | High | Med | Low | Total |
| **1.** Licensing (Civic) | 08 June 2023 | Substantial | 2 | 7 | 3 | 12 |
| **2.** Payroll: Overtime | 08 June 2023 | Substantial | 0 | 4 | 2 | 6 |
| **3.** Local Code of Corporate Governance (2022/23) | 08 June 2023 | Substantial | 0 | 0 | 0 | 0 |
| **4.** Housing Contract Management | 08 June 2023 | Substantial / Limited [1] | 3 | 1 | 0 | 4 |
| **5**. Revenues and Benefits Data Management | 24 August 2023 | Substantial | 0 | 2 | 1 | 3 |
| **6**. Poverty, Educational Attainment and Funding | 26 October 2023 | Substantial | 0 | 2 | 3 | 5 |
| **7**. Balanced Revenue Budget | 26 October 2023 | Substantial | 0 | 4 | 4 | 8 |
| **8**. Ecological Emergency and Climate Change | 26 October 2023 | Substantial / Limited [1] | 6 | 6 | 2 | 14 |
| **9**. Christie Clock (Additional Review) | 23 November 2023 | N/A (Consultancy) | 27 | 0 | 0 | 27 |
| **10**. Building Security (Additional Review) | 18 January 2024 | Substantial / Limited / No Assurance [1] | 13 | 5 | 0 | 18 |
| **11**. Goods Vehicle Operator's Licence | 18 January 2024 | Substantial | 0 | 0 | 4 | 4 |
| **12**. Commissioning of Social Work Services | 18 January 2024 | Substantial / Limited [1] | 0 | 4 | 4 | 8 |
| **13**. ICT - Replacement of Social Care System (SWIFT) | 18 January 2024 | N/A (Position Statement) | - | - | - | - |
| **14**. Economic Recovery and Growth | 18 January 2024 | Substantial | 0 | 1 | 3 | 4 |
| **15**. Fuel and Utility Management | 14 March 2024 | Substantial | 0 | 4 | 2 | 6 |

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| Audit Report | Committee Date | Internal Audit Assurance Level | Recommendations | | | |
|---|---|---|---|---|---|---|
| | | | High | Med | Low | Total |
| **16**. ICT – SWIFT Data Quality (Additional Review) | 29 August 2024 | N/A (Consultancy) | 5 | 0 | 0 | 5 |
| **17**. Local Code of Corporate Governance 2023-24 | 29 August 2024 | Substantial | 0 | 2 | 1 | 3 |
| **18.** Commercial Waste | 29 August 2024 | Substantial | 3 | 6 | 1 | 10 |
| **Total** | | | **59** | **48** | **30** | **137** |

Note:

1. Internal Audit provided separate levels of assurance in relation to specific audit objectives and the related controls in place for these audited areas to better reflect the findings of each audit review.

**Table 2 – Other Internal Audit and Corporate Fraud Reports**

| Report | Committee Date | Purpose & Committee Action |
|---|---|---|
| **19.** Internal Audit Annual Plan 2024/25 | 14 March 2024 | To report the draft Internal Audit Annual Plan for 2024/25 for approval.<br>The Committee approved the Internal Audit Annual Plan. |
| **20-21.** Corporate Fraud Annual Plans 2023/24 and 2024/25 | 08 Jun 2023 and 29 Aug 2024 | To report the draft Corporate Fraud Annual Plans for 2023/24 and 2024/25 for information.<br>The Committee noted the Corporate Fraud Annual Plans. |
| **22-28.** Internal Audit Update Reports | 08 Jun, 24 Aug, 26 Oct, and 23 Nov 2023; and 18 Jan, 14 Mar and 29 Aug 2024 | To report the progress made by the Internal Audit team with delivery of the approved Annual Audit Plan for 2023/24.<br>The Committee took assurance from Internal Audit reports and performance. |
| **29-30.** Action Tracking Updates | 24 Aug 2023; and 14 Mar 2024 | To report and verify the progress made by Services in implementing agreed audit actions by their target date(s) and provide an analysis of outstanding 'high priority' actions.<br>The Committee took assurance from the position in relation to action tracking work. |
| **31-32.** Internal Audit Annual Assurance Reports 2022/23 and 2023/24 | 08 June 2023 and 29 Aug 2024 | To report on the work Internal Audit carried out during 2022/23 and 2023/24; and to consider the Internal Audit opinion for the Annual Governance Statements in each year.<br>The Committee took assurance from the Internal Audit Annual Reports and Assurance Statements. |

| Report | Committee Date | Purpose & Committee Action |
|---|---|---|
| **33.** Internal Audit Charter | 26 Oct 2023 | To report an Internal Audit Charter setting out the role, authority, and responsibility of Internal Audit, consistent with the Scheme of Delegation requirement for the Audit Committee to approve the Internal Audit Charter.<br>The Committee considered and approved the Internal Audit Charter. |
| **34-35.** Audit Committee Annual Reports 2022/23 and 2023/24 | 08 Jun 2023 and 29 Aug 2024 | To report the draft Audit Committee Annual Reports for 2022/23 and 2023/24.<br>The Committee took assurance from the reports and approved their submission to Council on 05 October 2023 and 10 October 2024, respectively. |
| **36.** ALEOs and Strategically Funded Bodies: Overview of Governance Reporting 2022/23 | 14 Mar 2024 | To report an overview of the governance reporting arrangements for each of the Council's arm's-length external organisations (ALEOs) and other strategically-funded bodies.<br>The Committee took assurance from the ALEO and other strategically funded bodies' governance reporting framework. |
| **37-38.** Public Interest Disclosure (Whistleblowing Policy) Annual Reports | 08 June 2023 and 29 Aug 2024 | To submit the annual reports on the Council's Public Interest Disclosure (Whistleblowing Policy) for the years to 31 December 2022 and 31 December 2023.<br>The Committee took assurance from the annual reports. |
| **39-43.** Corporate Fraud Update Reports | 08 Jun, 24 Aug and 26 Oct 2023; and 18 Jan and 29 Aug 2024 | To report the progress made by the Corporate Fraud team with delivery of the Corporate Fraud Annual Plan for 2023/24.<br>To report frauds, losses, thefts or financial irregularities reported to, or investigated by the Corporate Fraud team.<br>The Committee took assurance from progress made in relation to planned corporate fraud work. |

## Risk Management

5.7 The Committee received reports from the Chief Officer – Governance in relation to risk management. This enabled the Committee to monitor the effective development and operation of arrangements for risk management in the Council, in line with Appendix 5a of the Scheme of Delegation. Details of the 6 reports considered are set out in Table 3.

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**Table 3 – Risk Management Reports**

| Report | Committee Date | Purpose & Committee Action |
|---|---|---|
| **1-2.** Risk Management Annual Plans 2023/24 and 2024/25 | 08 Jun 2023 and 29 Aug 2024 | To report the Risk Management Annual Plans for 2023/24 and 2024/25 for information, along with an updated Risk Management Policy.<br>The Committee considered and noted the Risk Management Annual Plans.<br>The Committee approved the revised Risk Management Policy. |
| **3-6.** Risk Management Update and Strategic Risk Register Reports | 24 Aug and 26 Oct 2023; and 18 Jan and 29 Aug 2024 | To report progress with delivery of the Risk Management Annual Plan for 2023/24; and on the development of the Council's revised Strategic Risk Register and corporate risk management arrangements.<br>The Committee took assurance from the development and revision of the Strategic Risk Register and in corporate risk management arrangements. |

## Accounting Operations

5.8 The Committee received reports from the Council's Chief Officer – Finance and / or Finance Service Manager (acting Section 95 Officer). This allowed the Committee to consider the draft Council, Common Good Funds and for the charitable trusts of which the Council is a trustee accounts and approve the accounts for signature . Details of the 6 reports considered are set out in Table 4.

**Table 4 – Accounting Operations Reports**

| Report | Committee Date | Purpose & Committee Action |
|---|---|---|
| **1.** Stirling Council Draft (Unaudited) Accounts 2022/23 | 08 Jun 2023 | To present the Council's draft (unaudited) Accounts for 2022/23 for approval of submission to external audit.<br>The Committee considered the Accounts prior to their submission to external audit. |
| **2.** Common Good Funds & Charitable Trusts Draft (Unaudited) Accounts 2022/23 | 08 Jun 2023 | To present the Council's draft (unaudited) Accounts for 2022/23 of the Common Good Funds & Charitable Trusts for approval of submission to external audit.<br>The Committee considered the Accounts prior to their submission to external audit. |
| **3**. Audited Accounts for Charitable Trusts 2022/23 | 14 Mar 2024 | To present the Audited Accounts of the Common Good Funds & Charitable Trusts for 2022/23 for approval for signature.<br>The Committee approved the accounts for signature. |
| **4**. Stirling Council Audited Accounts 2022/23 | 9 Aug 2024 | To present the Audited Accounts of the Council for 2022/23 for approval for signature.<br>The Committee approved the accounts for signature. |

| Report | Committee Date | Purpose & Committee Action |
|---|---|---|
| **5.** Stirling Council Draft (Unaudited) Accounts 2023/24 | 29 Aug 2024 | To present the Council's draft (unaudited) Accounts for 2023/24 for approval of submission to external audit.<br>The Committee considered the Accounts prior to their submission to external audit. |
| **6.** Common Good Funds & Charitable Trusts Draft (Unaudited) Accounts 2023/24 | 29 Aug 2024 | To present the Council's draft (unaudited) Accounts for 2023/24 of the Common Good Funds & Charitable Trusts for approval of submission to external audit.<br>The Committee considered the Accounts prior to their submission to external audit. |

## External Audit

5.7 The Committee received reports from the Council's appointed external auditor, Deloitte LLP.

5.8 This allowed the Committee to consider the external auditor's annual report, the report to those charged with governance and other reports presented by the external auditor, in line with the Scheme of Delegation. Details of the 3 reports considered are set out in Table 5.

**Table 5 – External Audit Reports**

| Report | Committee Date | Purpose & Committee Action |
|---|---|---|
| **1.** Planning Report to the Audit Committee on the 2022/23 Audit | 08 Jun 2023 | To report the work to be carried out by the external auditor in relation to the audit of the Council's Annual Report and Accounts, in line with the Code of Audit Practice published by Audit Scotland.<br>The Committee considered and noted the External Audit Planning Report. |
| **2.** Charitable Trusts Administered by Stirling Council - Report to those Charged with Governance on the 2022-23 Audit | 14 Mar 2024 | To report on the work carried out on the financial statements for the year ended 31 March 2023 of the Council's charitable trusts, prepared under the Charities and Trustee Investment (Scotland) Act 2005.<br>The Committee noted and took assurance from the Auditor's opinion on the charitable trusts administered by the Council, and approved the Letters of Representation. |
| **3.** Annual Report to Those Charged with Governance and the Controller of Audit for the Financial Year ended 31 March 2023 | 29 Aug 2024 | To report on the work carried out on the Council's Annual Report and Accounts for the year ended 31 March 2023.<br>The Committee noted and took assurance from the Auditor's opinion on the Council's financial statements, and approved the Letters of Representation. |

## External Regulatory Bodies & Assurance Providers

5.9 The Committee received other reports provided or published by external regulatory bodies and assurance providers, primarily Audit Scotland. These included 'thematic' reports on national issues that the Chief Officer – Governance and the Audit Service Manager considered to be relevant to the Audit Committee's remit and delegations, as set out in the Council's Scheme of Delegation. Details of the 7 reports considered are set out in Table 6.

**Table 6 – External Regulatory and Assurance Reports**

| Regulatory / Assurance Reports | Committee Date | Purpose & Committee Action |
|---|---|---|
| **1-6.** Accounts Commission National Reports (published by Audit Scotland) | | To summarise reports issued by Audit Scotland on emerging national issues, and key recommendations to improve the Council's controls, risk management and governance arrangements. The Committee noted the reports and their recommendations. |
| | 24 Aug 2023 | 1. Local Government in Scotland Overview 2023. |
| | 04 Oct 2023 [2] | 2. Fraud and Irregularity – Annual Report 2022/23 |
| | | 3. Approaches to Achieving Net Zero Across the UK |
| | | 4. Best Value in Scotland |
| | 06 Feb 2024 [2] | 5. Local Government in Scotland Financial Bulletin 2023 |
| | | 6. Decarbonising Heat in Homes |
| **7.** Regulation of Investigatory Powers (Scotland) Act 2000 Annual Reports to December 2022 | 08 Jun 2023 | To report on the operation of the Regulation of Investigatory Powers (Scotland) Act (RIPSA) within the Council during 2022. |
| **8.** Regulation of Investigatory Powers (Scotland) Act 2000 Annual Reports to December 2023 | 29 August 2024 | To report on the operation of the Regulation of Investigatory Powers (Scotland) Act (RIPSA) within the Council during 2023. |

Note 2 – following a decision of the Committee at its meeting of 24 August 2024, relevant Accounts Commission reports (published by Audit Scotland) have been circulated by email by the Audit Service Manager to all elected Members for information on the dates listed.

## 6. Audit Committee Assurance Statements

6.1 The work of the Audit Committee during and in relation to 2023-24 is detailed at Section 5. This work was supported by reports, information and assurance statements from various sources including internal and external auditors, council management and regulatory or inspection bodies.

6.2 I have taken account of the breadth and depth of work performed by the Committee during the year to enable the Committee to provide the Council with independent assurance on the adequacy of its arrangements for risk management, governance and control.

6.3 I can, therefore, provide the Council with reasonable assurance on the adequacy of the arrangements for risk management, governance and control, based on the work undertaken by the Committee.

6.4 I can also confirm that, in relation to its remit, delegations and performance, the Committee:

- operated in accordance with the Council's Scheme of Delegation which sets out the approved remit and delegations to the Audit Committee;
- operated in accordance with the requirements of the CIPFA 'Audit Committees Practical Guidance for Local Authorities and Police (2013)' and 'Position Statement: Audit Committees in Local Authorities and Police (2022)';
- received and took assurance from Internal Audit reports and sought any necessary clarification from Council management on audit findings and assurance from management that agreed improvement actions to internal control, risk management and corporate governance arrangements would be implemented as agreed;
- satisfied itself that, for all improvement actions set out in Internal Audit reports, appropriate systems are in place to follow-up, monitor, evidence and report their implementation;
- noted the Internal Audit Annual Reports for 2022/23 and 2023/24. The Reports provided the Committee with reasonable assurance from the Audit Service Manager on the adequacy and effectiveness of the Council's arrangements for risk management, governance and control, based on the work of Internal Audit during the year;
- noted and took assurance from risk management reports to fulfil its delegated function to monitor the effective development and operation of arrangements for the management of risk in the Council. The Committee undertook regular review and scrutiny of the development of the Strategic Risk Register and corporate risk management arrangements;
- noted corporate fraud reports on actual and potential frauds, losses, thefts, or financial irregularities reported or identified from counter fraud work and the Council's participation in the National Fraud Initiative exercise. This enabled the Committee to fulfil its delegated function to monitor the effective development and operation of arrangements for the prevention and investigation of fraud and irregularity. The Committee scrutinised and monitored the Council's counter fraud activity and compliance with best practice and any legal requirements;
- considered the audited Annual Accounts for the Council and for the Council's Charitable Trusts for 2022/23 and approved them for signature;
- noted reports from the Council's appointed external auditor, Deloitte LLP, including the Annual Reports to Members and the Controller of Audit for the financial year ended 31 March 2023. The Committee sought any necessary clarification from management on audit findings and assurance that any agreed improvement actions to internal control, risk management and corporate governance arrangements would be implemented as agreed; and
- approved the minutes of meetings held by the Committee as a record of attendance, its proceedings and the decisions made by the Committee.

6.5 In terms of the statutory requirements set out in the Local Authority Accounts (Scotland) Regulations 2014, I can also confirm that the Audit Committee undertook the following activities in relation to the Council's annual accounts during the year (as those related specifically to the 2023-24 annual accounts process):

- received and noted the Council's draft, unaudited Annual Accounts for 2023-24 and considered the draft, unaudited Annual Accounts prior to submission to the external auditor;

- received and noted the draft Annual Governance Statement for 2023-24 included within the draft Annual Accounts; and
- received and took assurance from the Internal Audit report on the annual review of the effectiveness of the Council's risk management, corporate governance and internal control arrangements and compliance with the Council's Local Code of Corporate Governance, which informed the Committee's consideration of the Annual Governance Statement for 2023-24.

**Councillor Scott Farmer**
**Convener of the Audit Committee**

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**Stirling Council**

Agenda Item 9

Audit Committee

Date of Meeting: 29 August 2024

Not Exempt

# Corporate Fraud Update and Plan

## Purpose

The purpose of this report is to provide an update on recent and ongoing Corporate Fraud work and a summary of the team's planned activity for 2024/25.

This is in line with the Council's Scheme of Delegation, which requires the Audit Committee to monitor the effective development and operation of arrangements for, and receive and consider periodic reports on, the prevention and investigation of fraud and irregularity.

## Recommendations

The Audit Committee is asked to:

1. take assurance from recent and ongoing Corporate Fraud work; and
2. note the proposed work set out in the 2024/25 Corporate Fraud Plan.

## Resource Implications

There are no direct resource implications arising from this report.

## Legal & Risk Implications

The role of the Audit Service Manager is to provide the Audit Committee with assurance on the Council's arrangements for risk management, governance and control. Work undertaken by the Internal Audit, Risk and Corporate Fraud team aims to reduce or mitigate risks to which the Council may be exposed. The Strategic Risk Register sets out the key risks that may impact on the Council's ability to deliver on its agreed priorities.

Consideration of this report enables the Committee to discharge its remit in terms of Appendix 5a of the Council's Scheme of Delegation to consider the adequacy and effectiveness of the Council's risk management arrangements, the control environment and associated counter fraud arrangements. It is also in line with the requirement that the Audit Committee monitors the effective development and operation of arrangements for, and receive and consider periodic reports on, the prevention and investigation of fraud and irregularity.

# 1. Background

1.1. The Corporate Fraud team comprises two Counter Fraud Officers and is part of the Internal Audit, Risk and Corporate Fraud team within the Governance Service. Within the terms of the Chief Executive's Scheme of Sub-Delegation the Chief Officer – Governance is responsible for ensuring that the Council operates a professional and objective Internal Audit, Corporate Fraud and Risk Management service. The Chief Officer – Governance has delegated authority for managing the Council's Corporate Fraud function to the Audit Service Manager.

1.2. The Council has a Counter Fraud Strategy, which was considered by the Audit Committee at its meeting on 02 September 2021. The Strategy sets out how fraud could impact on Stirling Council and the responsibilities of those with a role in the prevention or detection of fraud. The Strategy is clear that the Council has a zero tolerance approach to fraud and corruption.

1.3. At its meeting on 08 June 2023 the Audit Committee considered a Corporate Fraud Plan for 2023/24. This was framed around four themes: Development; Fraud Prevention; Proactive Fraud Work; and Fraud Investigation. Corporate Fraud Update Reports have subsequently been presented to the Audit Committee at its meetings on 24 August 2023, 26 October 2023 and 18 January 2024.

1.4. This report sets out examples of recent and ongoing Corporate Fraud work and a summary workplan for 2024/25.

# 2. Considerations

**Recent and Ongoing Work**

2.1. Fraud prevention remains a key priority. The team has now delivered 57 awareness talks to a total of 653 Council employees, including staff across secondary and primary schools. The team posts awareness raising and fraud prevention materials regularly on the staff Facebook page and has recently issued a second Corporate Fraud newsletter that has been widely distributed.

2.2. Posters are displayed across Council premises and the team has held meet and greet sessions in the reception areas of various Council premises. The opportunity has also been taken to include fraud awareness and prevention information in the Open-Door tenant newsletter and other scheduled correspondence with customers, such as Council Tax bills, has been used to raise awareness. An on-line training module for staff is shortly to go-live, using functionality available within the MyPortal system.

2.3. The team is also working closely and pro-actively with Services on various initiatives aimed at designing fraud out of systems and processes. For example, the Counter Fraud Officers are working with the Housing Service to undertake additional checks on Housing applications drawing on information available to the Counter Fraud Officers via the National Fraud Initiative and LoCTA Hub (a national fraud prevention database). This work helps provide assurance that applications are valid and that only those eligible for housing are allocated accommodation. The Counter Fraud Officers have checked over 160 applications. Two offers have been withdrawn as a result of this work, with those properties subsequently let to individuals and families genuinely in need of a home.

2.4. In addition, following a series of related investigations, the Counter Fraud Officers have worked with the Education Service on awareness raising

materials and guidance for school staff in relation to school placement fraud. School placement fraud occurs where parents use incorrect information to make an application to have their child placed in a school other than their catchment school.

2.5. One recent investigation relating to school placement fraud resulted in the outcomes of the investigation undertaken by the Counter Fraud Officer being referred to the Procurator Fiscal, using the Corporate Fraud team's status as a Specialist Reporting Agency. The Procurator Fiscal concluded that the enquiry file submitted by the Counter Fraud Officer demonstrated sufficient evidence of fraud. On the basis of that, the Procurator Fiscal issued a formal warning letter to the parent who had submitted a fraudulent application to have their child enrolled at a school outwith the catchment area of their residence.

2.6. A total of 224 referrals were received by the Corporate Fraud team during 2023/24, as per the table below:

| Referral Category / Source | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|
| **Closed Enquiries** | | | |
| Covid grant. | 7 | 0 | 0 |
| Blue badge. | 6 | 8 | 8 |
| Council Tax. | 66 | 54 | 76 |
| Housing. | 29 | 40 | 54 |
| Environmental Health. | 0 | 2 | 0 |
| Licensing. | 6 | 3 | 0 |
| Employee. | 7 | 5 | 1 |
| Department for Work and Pensions. | 43 | 65 | 40 |
| Her Majesty's Revenue and Customs. | 30 | 0 | 0 |
| Non-Domestic Rates | 0 | 1 | 3 |
| Police Scotland. | 5 | 1 | 0 |
| Schools. | 1 | 2 | 4 |
| Trading Standards. | 0 | 3 | 0 |
| Other. | 8 | 26 | 24 |
| **Total Closed:** | **208** | **210** | **210** |
| **Open Enquiries** | | | |
| Blue badge. | 0 | 0 | 0 |
| Council Tax. | 0 | 0 | 5 |
| Housing. | 0 | 0 | 6 |
| Employee. | 0 | 1 | 0 |
| Department for Work and Pensions. | 0 | 0 | 1 |
| Schools. | 0 | 0 | 1 |
| Other. | 0 | 1 | 1 |
| **Total Open:** | **0** | **2** | **14** |
| **GRAND TOTAL** | **208** | **212** | **224** |

2.7. As with previous years the majority of referrals have come from outwith the Council and relate to Housing and Council Tax.

2.8. The Counter Fraud Officers continue to work closely and effectively with the Housing, Revenues and Benefits and Legal teams. In particular, the Counter Fraud Officers have been instrumental in securing the return of two properties to the Council's housing stock on the basis of investigations that confirmed that the named tenant was not residing at the address. Outcomes such as these result in the re-allocation of properties to families in genuine need of a suitable home.

2.9. Work undertaken by the team also has a positive financial impact. Actual and notional financial outcomes can be attributed to completed investigations, based either on direct or indirect financial benefit deriving from, for example, the avoidance of expenditure on temporary accommodation arising from the recovery of a Council property.

2.10. For 2023/24 the direct and indirect financial outcomes arising from Corporate Fraud investigations total c£160,000.

2.11. This is in addition to financial outcomes of c£234,000 as a result of work relating to the National Fraud Initiative, which was coordinated by the Counter Fraud Officers. These outcomes have largely arisen from the identification of instances of wrongly claimed Council Tax Single Person Discount (which will be recovered via adjusted future bills).

2.12. The Corporate Fraud team has made significant progress in relation to fraud awareness and prevention and has well embedded procedures in relation to the assessment and subsequent investigation of referrals received. Proactive work, examples of which are given above, adds further value, and the team's workplan for 2024/25 will seek to maintain and increase momentum across all three workstreams.

2.13. A summary of planned activity is set out below and overleaf.

| **Development** | **Fraud Awareness and Prevention** |
|---|---|
| Review and further develop Counter Fraud Strategy with a view to the drafting of a Counter Fraud Policy for consideration by Audit Committee.<br><br>Counter Fraud Officers will continue to develop their skills via formal training and development and participation in peer groups such as the Scottish Local Authorities Investigators' Group.<br><br>Improve internet and intranet presence and build library of counter fraud materials for reference by staff. | Continue awareness sessions with the aim of delivering to a total of 1,000 Council officers by 31 March 2025.<br><br>Seek and utilise high impact means of disseminating fraud prevention message.<br><br>Prioritise fraud awareness messaging in a way that engages members of the public as well as Council staff. |

| Proactive Fraud Work | Fraud Investigation |
|---|---|
| Develop a targeted approach to fraud risk management with the aim helping Services design fraud out at source. | Continue to risk assess and investigate referrals received from within and out with the Council. |
| Contribute to the development of an approach to assurance mapping, alongside Internal Audit and Risk Management colleagues. | Build on existing relationships with external partners such as the Crown Office and Procurator Fiscal Service and Police Scotland. |
| Coordinate the National Fraud Initiative (NFI) exercise and participate in wider NFI exercise relating to Council Tax Single Person Discount. | Better publicise the outcomes of fraud investigation work. |

2.14. The Audit Service Manager periodically benchmarks the team's activity against the Scottish Government's Counter Fraud Maturity Model. This allows the Audit Service Manager to identify areas of good and improving practice, and the summary workplan set out above has been developed to take cognisance of the most recent self-assessment exercise.

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required. This is a 'technical or procedural report' and its consideration by the Audit Committee is not concerned with any proposals to achieve specific aims or to impact on any existing Council policy.

### Climate Change, Sustainability and Environmental Impact

3.2 No direct climate change, sustainability, or environmental impacts.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

### External Consultations

3.4 None.

## 4. Background Papers

4.1 EqSIA Screening.

4.2 Corporate Fraud Update: Audit Committee meeting 02 September 2021 and relevant minute of meeting.

4.3 Corporate Fraud Plan and Update: Audit Committee meeting 08 June 2023 and relevant minute of meeting.

4.4 Risk Management and Corporate Fraud Update Report: Audit Committee meeting 24 August 2023 and relevant minute of meeting.

4.5 Corporate Fraud Update: Audit Committee meeting 26 October 2023 and relevant minute of meeting.

4.6 Corporate Fraud Update: Audit Committee meeting 18 January 2024 and relevant minute of meeting.

## 5. Appendices

5.1 None.

Author(s)

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Approved by

| Name | Designation | Date |
|---|---|---|
| Julia McAfee | Chief Officer – Governance | 25 July 2024 |

| | |
|---|---|
| Details of Convener(s), Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | All |
| Key Priorities: | All |
| Stirling Plan Priority Outcomes: | All |

**Stirling Council**

Agenda Item 10

Audit Committee

Date of Meeting: 29 August 2024

Not Exempt

# Risk Management Update and Plan

## Purpose

This report presents the current version of the Strategic Risk Register (SRR), advises on planned work to streamline and improve the SRR and provides an update on work relating to the review of operational risk registers. The report also sets out a summary of planned risk management work for 2024/25.

Presentation of this report to the Audit Committee is in line with the Scheme of Delegation, which requires the Committee to undertake regular scrutiny of the Council's Strategic Risk Register and to monitor the effective development and operation of arrangements for the management of risk in the Council.

## Recommendations

The Audit Committee is asked to:

1. take assurance from the updated Strategic Risk Register;
2. note and take assurance from planned work to streamline and improve the Strategic Risk Register and that the outcomes of this work will be presented to the Audit Committee at its meeting on 31 October 2024;
3. note and take assurance from ongoing work in relation to the review of operational risk registers; and
4. note the proposed summary risk management plan for 2024/25.

## Resource Implications

There are no direct resource implications arising from this report.

## Legal & Risk Implications

The key risks to the achievement of Council priorities are set out in the Strategic Risk Register. The role of the Audit Service Manager is to provide the Audit Committee with assurance on the Council's arrangements for risk management, governance and control. Work undertaken by the Internal Audit, Risk and Corporate Fraud team aims to reduce or mitigate risks to which the Council may be exposed.

Consideration of this report enables the Committee to fulfil its remit in terms of Appendix 5a the Council's Scheme of Delegation to consider the adequacy and effectiveness of the Council's risk management arrangements, the control environment and associated counter

fraud arrangements. It also allows the Committee to discharge its responsibilities for monitoring the effective development and operation of arrangements for the management of risk and for undertaking regular scrutiny of the Council's Strategic Risk Register.

The Council's Financial Regulations and the Risk Management Policy, which was Approved by the Audit Committee in June 2023, are clear that the Corporate Management Team is responsible for ensuring that the Council manages risk effectively. The Policy also requires Chief Operating Officers, Chief Officers and Heads of Service to ensure that risks generated by, or likely to impact on their Service and the Council corporately, are managed effectively through the maintenance of an SRR and series of operational risk registers.

The Council's Operational Governance Board is responsible for driving and monitoring operational business on behalf of the Chief Executive. The Board's Terms of Reference require the Board to monitor, review and / or provide decisions on emerging risks to business as usual activities.

## 1. Background

1.1. Risk Management sits within the Governance Service as part of the Internal Audit, Risk and Corporate Fraud team. The role of the Audit Service Manager is to provide the Audit Committee with assurance on the Council's arrangements for risk management, governance and control.

1.2. The Chief Officer – Governance is responsible for ensuring that the Council operates a professional and objective Internal Audit, Corporate Fraud and Risk Management Service. In line with the Chief Executive's Scheme of Sub-Delegation, the Chief Officer – Governance has delegated responsibility for managing the Council's Strategic Risk Register to the Audit Service Manager.

1.3. In terms of the Council's Financial Regulations and Risk Management Policy the Corporate Management Team is responsible for ensuring that the Council manages risk effectively.

1.4. The Strategic Risk Register sets out the key risks that may impact on the Council's ability to deliver on its priorities and key objectives. The Audit Committee considered the Strategic Risk Register at its meeting on 18 January 2024. At that meeting the Committee also sought assurance on arrangements relating to the review of operational risk registers.

1.5. The Operational Governance Board considered the SRR at its meeting on 24 July 2024. At the meeting, members of the Board were asked to provide any updates to the Audit Service Manager by 31 July 2024.

1.6. Review and update of Strategic and operational risk registers forms part of an annual risk management workplan. The Risk Management Plan for 2023/24 was considered by the Audit Committee at its meeting on 08 June 2023 and an updated plan for 2024/25 is set out later in this report.

## 2. Considerations

2.1. The SRR is the vehicle for capturing and documenting the key risks facing the Council. The risks set out in the SRR should be of sufficient likelihood, or have sufficient potential impact, that the consequences would be of corporate significance. While the Risk Management team is responsible for establishing and supporting strategic and operational risk management arrangements,

members of the Corporate Management Team are responsible for ensuring that risks are managed effectively.

2.2. The current version of the SRR is attached at Appendix 1. This reflects changes to the SRR since the meeting of the Audit Committee in January, including those arising from the recent review undertaken by members of the Operational Governance Board. Key changes (all marked in bold in Appendix 1) are:

- controls relating to **Risk 01 and Risk 02**: Failure to maintain the condition of operational property assets and failure to maintain the condition of listed / historic properties, have been updated.
- controls relating to **Risk 06**: Failure to proportionately respond to the ongoing ecological emergency and climate change, have been updated;
- consequences and controls relating to **Risk 07**: Increasing levels of poverty, including those working in poverty, across communities, have been updated;
- consequences and controls relating to **Risk 08**: Failure to meet the needs of people displaced by the war in Ukraine, arriving via the UK and Scottish Government visa schemes, in addition to pressures of other refugee and asylum dispersal programmes, have been updated. Risk score has changed from 15 to 9 as a result of reduced likelihood.
- controls relating to **Risk 16**: Failure to plan and progress the required level of transformational change, have been updated.
- consequences and controls relating to **Risk 19**: Failure to secure IT networks and applications, have been updated. Consideration being given to merging risks 19 and 20 (cyber attack).
- Controls relating to **Risk 23**: Unable to recruit and retain experienced and qualified staff, have been updated. Consideration being given to merging risks 23 and 22 (inadequate workforce planning arrangements).

2.3. The SRR was also considered by Council at its meeting on 02 May 2024. The purpose of presenting the SRR to Council was to raise awareness of the SRR and to ask Council to take assurance that it is the responsibility of officers to narrate relevant strategic risks and provide assurance of mitigations as part of the Legal and Risk Implications section of all reports presented to Council and each of the decision making committees. Council also noted that a report will be presented to each decision making Committee setting out their responsibilities for scrutiny in terms of consideration of strategic risk.

2.4. Prior to presenting the SRR to each decision making committee, however, work will be undertaken to streamline and further improve the SRR. The focus of this work will be on reducing the number of strategic risks and creating a clearer means of escalating and de-escalating risks to and from the SRR.

2.5. The Chief Executive and Chief Officer – Governance have agreed that a session be held with members of the Corporate Management Team. The purpose of this will be to agree a shorter list of truly strategic risks and a mechanism for ensuring a more visible link between strategic and operational risks. One option being considered is the creation of an organisational risk register to capture those risks that may drop off the SRR along with the more

significant risks currently included within operational risk registers. This would create a clearer link between strategic and operational risk.

2.6. The outcomes of the Corporate Management Team session, including a streamlined SRR, will be presented to the Audit Committee at its meeting on 31 October. This is developing area of work and the Chief Officer – Governance and the Audit Service Manager are keen to further enhance scrutiny of risk across decision making committees.

2.7. A suite of 26 operational risk registers (ORR) currently sits below the SRR. Services use ORRs to document and manage risks that are relevant to a particular area. ORRs are maintained on the Council's electronic performance management system and can be updated in real time as the local risk landscape changes.

2.8. The Council's Risk Management Coordinator supported Services in their management of ORRs. The Risk Management Coordinator left the Council in March 2024 and a new officer took up that post on 29 July 2024.

2.9. The Risk Management team comprises one officer with management support from the Audit Service Manager. On that basis, work on supporting Services on operational risk had to be significantly scaled back during the period where no Risk Management Coordinator was in post.

2.10. Nevertheless, 12 of the 26 ORRs have been fully updated, with varying degrees of progress made in relation to the remainder.

2.11. The programme of risk management work for the year will be structured around the priorities set out below:

**Policy and Risk Framework**

Review and update of Risk Management Policy and procedures, development and delivery of a communications plan and review of the extent to which the requirement for effective risk management is embedded within the Council's wider governance framework.

| | |
|---|---|
| **Strategic Risk Management**<br>Review and update of the Strategic Risk Register.<br>Linking of risk management and service planning processes. | **Operational Risk Management**<br>Review and update of operational risk registers and developing and embedding of risk management performance measures. |
| **Training and Engagement**<br>Attendance at Service management meetings and operational team meetings will help inform the development of a targeted and longer term risk management training plan.<br>This will include e-learning and the development of induction material for new staff. | **Risk Management Consultancy**<br>Horizon scanning for new risks and the development of an assurance mapping model in conjunction with Internal Audit colleagues.<br>Providing risk management consultancy services and input on strategic and corporate projects. |

2.12. The broad workplan set out above is aimed at embedding the consideration of risk into business as usual processes and activities and to add further value via advisory support and involvement in significant, strategic projects and programmes. Work undertaken by the previous Risk Management Coordinator has stepped up the corporate approach to considering and managing risk and it is vital that this momentum is not lost.

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required. This is a 'technical or procedural report' and its consideration by the Audit Committee is not concerned with any proposals to achieve specific aims or to impact on any existing Council policy.

### Climate Change, Sustainability and Environmental Impact

3.2 No direct climate change, sustainability, or environmental impacts.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

### External Consultations

3.4 None.

## 4. Background Papers

4.1 EqSIA Screening.

4.2 Audit Committee meeting 08 June 2023: 2022/23 Risk Management Policy and Plan and relevant minute of meeting.

4.3 Audit Committee meeting 18 January 2024: Strategic Risk Register and relevant minute of meeting.

## 5. Appendices

5.1 Appendix 1: Strategic Risk Register.

Author(s)

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Approved by

| Name | Designation | Date |
|---|---|---|
| Julia McAfee | Chief Officer – Governance | 16 August 2024 |

| | |
|---|---|
| Details of Convener(s), Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | All |
| Key Priorities: | All |
| Stirling Plan Priority Outcomes: | All |

APPENDIX 1

# STRATEGIC RISK REGISTER – as at 16 August 2024

| | Risk | Impact | Likelihood | Previous Risk Score | CURRENT RISK SCORE | Lead Officer(s) | Consequence | Controls |
|---|---|---|---|---|---|---|---|---|
| **Asset Management** | | | | | | | | |
| 1. | Failure to maintain the condition of operational property assets. | 4 | 4 | **16** | **16** | Head of Infrastructure | Partial or full building closure impacting on ability to deliver statutory functions.<br><br>Reactive approach to maintenance increases financial costs for the Council.<br><br>Harm and financial impact as a result of accidents involving staff and visitors.<br><br>Adverse impact on staff morale and productivity. | The Property Asset Management Strategy aligns with local plans and national approaches, is reviewed annually and reported to Finance, Economy & Corporate Support Committee after this review. (Service Manager – Infrastructure).<br><br>Maintain, through a rolling programme, building condition survey reports and investment requirements for all Council (non-housing) property. Identifying priorities for planned maintenance in an essential investment programme, reporting annually to Finance, Economy & Corporate Support (Service Manager – Infrastructure).<br><br>Statutory inspection programmes are maintained with surveys, testing and resultant action plans **uploaded on the Property Asset Management System**. These are subject to regular process reviews **through monthly contract meetings**. (Team Leader – Compliance and Property Management).<br><br>Planned and statutory maintenance programmes are in place, managed and recorded on the Property Asset Management System. (Team Leader – Compliance and Property Management).<br><br>Effective local premises management tasks are performed to standards set out in the Premises Managers Handbook, supported by ongoing training. (Service Manage – Infrastructure).<br><br>Regular building checks supported by a response repair and fault identification process. Procedures in place to support early notification of maintenance issues. Based upon an agreed programme, supported by ad-hoc visits as required, to agreed work plan. **All building check reports will be uploaded into Property Asset Management System, and should influence condition reporting where required** (Team Leader – Compliance and Property Management).<br><br>Premises Managers and building users are engaged and supported in the management of property, through regular communication, engagement and advice and Building User Groups. (Service Manager – Infrastructure).<br><br>**Service Plan activities include regular review of statutory requirements, national policy changes, and revised approaches to asset management;** |

| | Risk | Impact | Likelihood | Previous Risk Score | CURRENT RISK SCORE | Lead Officer(s) | Consequence | Controls |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | **incorporating these activities into strategic and operational actions, as a continuous improvement approach. (Service Manager – Infrastructure).** |
| 2. | Failure to maintain the condition of listed / historic properties (including archives). | 4 | 3 | **15** | **12** | Head of Infrastructure | As per 1 above.<br><br>Loss of income and reputational damage arising from unplanned closure of visitor attraction.<br><br>Lack of archive capacity or damage to records.<br><br>Risk of reputational damage due to archive items being lost or damaged as a result of inadequate or insufficient archive environment. | A Heritage Strategy is being prepared by the Chief Operating Officer – Infrastructure and Environment for presentation to the Finance, Economy and Corporate Support Committee in November 2024.<br><br>Heritage Asset Management Policy and Plan is developed and reviewed annually, and reported to Environment, Transport & Net Zero Committee (March). (Head of Service – Infrastructure).<br><br>Maintain, through a rolling programme, asset and building condition survey reports and investment requirements for all heritage assets and property. Identifying priorities for planned maintenance in an essential investment programme, reporting annually to Environment, Transport and Net Zero Committee (Service Manager – Infrastructure).<br><br>Maintain a separate asset register for heritage assets and buildings, and include in the Heritage Asset Management Plan, reporting annually to Environment, Transport & Net Zero Committee (**December 2024**). (Service Manager – Infrastructure).<br><br>Inspection and surveys are pre-programmed, and testing and resulting action plans are concluded. (Team Leader – Compliance and Property Management).<br><br>Specialist surveys, reports and resulting action plans are commissioned as required (Team Leader – Compliance and Property Management).<br><br>**Service Plan activities include regular review of national policy changes, and revised approaches to heritage asset management; incorporating these activities into strategic and operational actions, as a continuous improvement approach. (Service Manager – Infrastructure).** |

| | Risk | Impact | Likelihood | Previous Risk Score | CURRENT RISK SCORE | Lead Officer(s) | Consequence | Controls |
|---|---|---|---|---|---|---|---|---|
| 3. | Failure to develop the education estate in terms of both capacity and quality commen-surate with need. | 4 | 4 | **16** | **16** | Head of Education<br><br>Head of Infrastructure | As per 1 above:<br><br>Educational settings that are unsuitable, inadequate or unsafe for staff and students.<br><br>Failure to meet statutory requirement to provide education for increasing numbers of children and young people living in Stirling and to provide appropriate provision for children with additional support needs.<br><br>Compromised educational experience for students leading to sub-optimal attainment and outcomes.<br><br>Significant cost and time associated with Additional Support Needs tribunal process.<br><br>Increased requirement and / or parental demand for specialist external placements in private day or residential schools / settings.<br><br>Increased requirement for alternative placements for catchment pupils and associated financial costs. | Regular review of the suitability and condition of the estate to inform Education Asset Plan and Capital Programme and reports to Children and Young Person's Committee on a biennial basis. (Service Manager – Infrastructure).<br><br>Maintain, through rolling programme, building condition survey reports and action plans for all Education property. Identifying priorities for planned maintenance in an essential investment programme, reporting annually to Finance, Economy & Corporate Support (Service Manager – Infrastructure).<br><br>Maintain alignment with long term local housing development through review of strategic asset plans and Local Housing Audit, and inform the regular review of future Capital Strategy (annual). (Service Manager – Infrastructure, and Service Manager, Business Improvement).<br><br>Completion of the ASN Secondary provision expansion for Stirling City during 2024-25 school session (Service Manager - ASN and Service Manager – Corporate Property Assets). Phase one completion **likely for Spring 2025**. Capital allocation and Phase 2 completion date to be confirmed. Suitable mitigation identified for 2024-2025 cohort of young people. (Service Manager – ASN).<br><br>Early review of capacity concerns to inform future estate development, particularly for ASN and Early Years. (Team Leader – Business Improvement with planning colleagues).<br><br>Management of the capacity of schools across the estate using placing request refusals, capping and catchment reviews as appropriate. Annual review of reserved places and capping is now in place **for 2024** prior to intake (Team Leader – Business Improvement).<br><br>Medium and long term capital strategy planning is in place to ensure that the estate requirements are appropriately funded. Completion of an Education medium term Capital Strategy by end Dec 2023 (Education Service Managers and Infrastructure Service Managers).<br><br>Processes to ensure that the full estate is considered in the planning for all developments and efficient opportunities are in place to improve areas of concern. New LDP plan to consider Early Years and ASN and explore wider developer contributions (Team Leader – Business Improvement).<br><br>Increased focus on the importance of inclusion in mainstream schools. Development work with all school and nursery heads is underway (2023-24) to |

| | Risk | Impact | Likelihood | Previous Risk Score | CURRENT RISK SCORE | Lead Officer(s) | Consequence | Controls |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | reduce pressure for specialist placements and increase the proportion of children with ASN educated in mainstream schools (Service Manager – ASN). |
| 4. | Failure to apply the conditions of the Council's Vehicle Operator Licence. | 4 | 3 | **12** | **12** | Head of Environment and Place | Unable to operate vehicles exceeding 3.5 tonnes.<br><br>Unable to provide the services which rely on these vehicles.<br><br>Financial impact of contracting in services.<br><br>Fine or other legal recourse. | Operator's Licence audit carried out by Internal Audit. Report issued 20 December 2023 with assurance and recommendations arising considered by the Audit Committee at its meeting on 18 January 2024.<br><br>Annual audits of processes, procedures and records carried out by Business Planning and Performance Management Team (Fleet Manager).<br><br>Monthly vehicle maintenance workshop audits carried out by external auditor (Logistics UK) (Fleet Manager).<br><br>Regular random gate check audits of vehicles and operators (Fleet Manager).<br><br>Adherence to Responsible Drivers Policy by all drivers and Managers.<br><br>Quarterly Corporate and Operational Fleet User group meetings to ensure Service representatives understand their obligations (Fleet Manager).<br><br>Ongoing CPC training programme to ensure drivers understand their legal responsibilities as a driver (Organisational Development / Fleet Manager).<br><br>Pre-planned Vehicle Inspection programme in line with approved Inspection frequencies (4 weekly, 6 weekly or 12 weekly dependant on vehicle and operation) and maintenance procedure in place (Fleet Manager).<br><br>Monthly driver tachograph downloads to allow for driver hours analysis to ensure compliance (Fleet Manager). |

| | Risk | Impact | Likelihood | Previous Risk Score | CURRENT RISK SCORE | Lead Officer(s) | Consequence | Controls |
|---|---|---|---|---|---|---|---|---|
| 5. | Failure to adequately maintain road assets including bridges, retaining walls and culverts. | 4 | 4 | **16** | **16** | Head of Environment and Place | Failure of road asset or component failure resulting in significant unplanned expenditure and additional unplanned demand on budgets.<br><br>Failure of road asset or component failure resulting in significant demand on internal staff resources.<br><br>Potential for communities to be inconvenienced or isolated as a result of failed road asset or component.<br><br>Significant safety risk to travelling public as a result of failed road asset or component.<br><br>Lack of confidence in, and reputational damage to, the Council. | Regular safety inspection regimes for roads and bridges infrastructure in place, as per inspection frequency level recommendations within Code of Practice for Well Managed Highway Infrastructure (Service Manager - Roads).<br><br>Adopt risk-based approach to service delivery. Policy paper developed and is being presented to Committee in February 2024 (Service Manager - Roads).<br><br>Roads Asset Management Plan is updated and presented to Committee in February 2024 (Service Manager - Roads).<br><br>Annual Status and Options Report providing Members with an annual position statement. The next will be presented to Environment, Transport and Net Zero Committee in February (Service Manager - Roads).<br><br>Creation of a new 5-year Roads Safety Plan (local document based on National Strategy underway) (Service Manager - Roads).<br><br>Stirling Council Flood Board established, which meets monthly.<br><br>Master programme developed for Flood Protection Schemes as well as Surface Water Management Plans. Programme and associated spend profiles reviewed and updated monthly (Service Manager - Roads). |

| | Risk | Impact | Likelihood | Previous Risk Score | CURRENT RISK SCORE | Lead Officer(s) | Consequence | Controls |
|---|---|---|---|---|---|---|---|---|
| | | | | | **Climate Change** | | | |
| 6. | Failure to propor-tionately respond to the ongoing ecological emergency and climate change. | 5 | 4 | **20** | **20** | Head of Economic Development, Planning and Climate Change | Unable to meet targets set out in the Climate Change (Scotland) Act 2009, as amended by the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019.<br><br>Significant reputational risk and adverse publicity.<br><br>Increased impact on communities as a result of extreme weather events. | Annual Climate Change Public Sector Duty Report.<br><br>Climate and Nature Emergency Plan monitoring.<br><br>Climate Adaptation Plan.<br><br>Programme status reporting.<br><br>Ongoing Member / Officer Group and CaNE Plan Board meetings in place.<br><br>**Energy from Waste Contract in place to process residual waste in line with SG Landfill Ban.**<br><br>**Regional Emergency Master Plan developed to inform energy efficiency projects.** |
| | | | | | **Communities** | | | |
| 7. | Increasing levels of poverty, including those working in poverty, across Communities | 4 | 4 | **16** | **16** | Head of People and Community Wellbeing<br><br>Head of Children and Families (Chief Social Work Officer)<br><br>Chief Officer – Finance | More households at significant risk of fuel poverty.<br><br>Adverse impact on community health and wellbeing.<br><br>Increase in number of individuals and families living in poverty and accessing Council Services.<br><br>Increased financial and operational demands on Council services.<br><br>**Increase in number of children and families living in poverty reduces capacity and leads to greater involvement in the statutory care** | Ensure access to welfare benefits advice and income maximisation services **as well as monies paid out to support families in need.**<br><br>Maintaining data (cross-Service) on People at Risk for engaging in severe or sustained weather events.<br><br>Programme of support to develop community resilience and ensure Care for People.<br><br>Continue to review interventions and supports for individuals**, families** and communities (e.g. fuel payments, cost of living fund, food security funding).<br><br>Improve visibility and accessibility of information for individuals and communities (online, self-service, phone, face-to-face and print-based) underpinned by an improved and co-ordinated approach to contact, referral, information, promotion and joint-working across services, community organisations and voluntary services. |

| | Risk | Impact | Likelihood | Previous Risk Score | CURRENT RISK SCORE | Lead Officer(s) | Consequence | Controls |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | **system or being subject to child protection processes.** | Review of support mechanisms to ensure parity of approach when Council staff encounter changes in life circumstances that lead to increased financial pressures.<br><br>Carers Policy in place.<br><br>Adequate signposting to partner organisations who can provide support to vulnerable households.<br><br>**There are a range of social work services in place to support families with the pressures emerging from poverty e.g. Initial Assessment Team, Family Wellbeing Team.** |
| 8. | Failure to meet the needs of people displaced by the war in Ukraine, arriving via the UK and Scottish Government visa schemes, in addition to pressures of other refugee and asylum dispersal programmes. | 3 | 3 | **15** | **9** | Head of People and Community Wellbeing<br><br>Head of Housing | Increased risk of large numbers of people presenting as homeless in Stirling.<br><br>Unable to meet statutory obligations.<br><br>Increased financial costs if individuals and families need to be placed in alternative accommodation, e.g. hotels.<br><br>Responding to needs of individuals and families placed in unsuitable accommodation.<br><br>**Increased number of unaccompanied asylum-seeking young people requiring to be placed in supported accommodation or foster care.** | Temporary uplift to resettlement team via additional funding associated with relevant schemes. Triage process developed to identify immediate needs of guests arriving, followed by ongoing liaison with housing, education, health, and social work colleagues (ongoing).<br><br>Engaged in regular meetings with COSLA and Scottish Government, including new regional partnership arrangements relating to reducing reliance on welcome accommodation for Ukrainian guests (ongoing).<br><br>**A dedicated Officer is in place to provide Housing Options advice and housing link to Resettlement Team.**<br><br>**Scottish Government funding to bring 40 Council void properties back into use and let as permanent accommodation (all let as of 31 March 2024).**<br><br>**Agreement in place with registered social landlords to provide permanent accommodation.**<br><br>**Increased capacity of supported housing and host family support.** |

| | Risk | Impact | Likelihood | Previous Risk Score | CURRENT RISK SCORE | Lead Officer(s) | Consequence | Controls |
|---|---|---|---|---|---|---|---|---|
| | | | | | **Economy** | | | |
| 9. | Failure to progress and deliver works relating to the decontamin-ation and development of land at Forthside prior to, and following, transfer from the Ministry of Defence. | 4 | 3 | **16** | **12** | Chief Operating Officer – Infrastructure and Environment | Missed or delayed commercial growth and employment opportunities.<br><br>Failure to unlock strategic city centre site and related connectivity.<br><br>Compromised funding leverage and momentum.<br><br>Long term deterioration of prominent and central site.<br><br>Significant additional financial burden on Council capital and revenue budgets.<br><br>Failure to unlock additional Non Domestic Rates income from commercial tenants.<br><br>Reputational damage as a result of failure to deliver on significant commercial development opportunity. | Governance structure in place including Senior Responsible Officer (SRO), project board, and project risk register.<br><br>Early engagement of specialist external project management, design and other contractors.<br><br>Programme of elected Member briefings established and regular reporting through the relevant Committee.<br><br>Clear financial accountability arrangements attached to Levelling up Funding from UK Government and ongoing scrutiny of financial position by SRO and project board with support from Finance team colleagues.<br><br>Clear and early legal advice on matters of uncertainty relating to the transfer of land from the Ministry of Defence and responsibilities around decontamination pre and post transfer.<br><br>**Phase 1 of land transfer completed March 2024.**<br><br>**Decontamination plan agreed with MOD and SEPA, with works being undertaken between September and December 2024.** |
| 10. | Failure to deliver the objectives of the economic strategy due to macro-economic pressures | 5 | 4 | **20** | **20** | Head of Economic Development, Planning and Climate Change | Stagnant or shrinking economy.<br><br>Failure to attract new investment and jobs.<br><br>Adverse impact on treasury position and ability to borrow. | Continue to seek additional external funding sources to support delivery of objectives.<br><br>Meet regularly with local business support partnership and wider partners to ensure collaboration and maximisation of existing resources.<br><br>Regular review of objectives and progress to ensure effective prioritisation. |

| | Risk | Impact | Likelihood | Previous Risk Score | CURRENT RISK SCORE | Lead Officer(s) | Consequence | Controls |
|---|---|---|---|---|---|---|---|---|
| 11. | Failure to deliver City Region Deal | 3 | 4 | **12** | **12** | Head of Economic Development, Planning and Climate Change | Failure to harness growth opportunities and related employment.<br><br>Breach of financial terms leading to legal recourse.<br><br>Reputational damage. | Regular monitoring of progress through internal governance structure and processes.<br><br>Continual exploration of opportunities to leverage investment.<br><br>Monthly Chief Officer Group meetings.<br><br>Fully resource Regional Planning Management Office which sits across the 3 strategic partners.<br><br>Joint Committee governance structure in place to provide governance and scrutiny. |
| | **Financial** | | | | | | | |
| 12. | Failure to establish a sustainable medium term financial plan. | 5 | 5 | **25** | **25** | Chief Officer – Finance<br><br>Senior Leadership Team | Statutory breach and legal recourse.<br><br>Intervention from out with the Council in the running of the Council.<br><br>Unable to deliver statutory services.<br><br>Short term decisions impact on longer term financial sustainability.<br><br>Significant reputational impact. | Budget Strategies developed to match spending aspirations to available resources.<br><br>Early and effective Member / officer engagement as a key part of the budget and longer term financial planning process.<br><br>Ongoing participation in national forums and lobbying of central government to highlight service impacts caused by reducing financial resources.<br><br>Prudent and pragmatic management of reserves.<br><br>Longer term scenario based planning informs future decisions and longer term financial strategies and plans.<br><br>Longer term financial strategies and plans set a clear financial framework for the Council to operate within and they are appropriately implemented and monitored. |

| | Risk | Impact | Likelihood | Previous Risk Score | CURRENT RISK SCORE | Lead Officer(s) | Consequence | Controls |
|---|---|---|---|---|---|---|---|---|
| 13. | Failure to deliver services within the agreed and balanced revenue budget. | 5 | 4 | **20** | **20** | Chief Officer – Finance<br><br>Senior Leadership Team | Savings and efficiencies not realised.<br><br>Failure to deliver Priorities and statutory obligations.<br><br>Reserves placed under severe pressure.<br><br>Adverse impact on the Council's ability to deliver its Transformation Programme. | Annual budgeting process takes account of critical service funding requirements.<br><br>Regular review of financial statements with Finance team and Services to explore opportunities for further efficiencies / additional income generation.<br><br>Continued scrutiny and challenge of planned efficiency measures to ensure they can be delivered and achieved within agreed timescales.<br><br>Finance team routinely challenge budget holders.<br><br>Update reports on revenue budget outturns and delivery of savings targets submitted to Operational Governance Board.<br><br>Update reports on revenue budget outturns and financial risk regularly reported to Finance, Economy and Corporate Support Committee.<br><br>Changes to service delivery subject to EQSIA and risk assessment (ongoing).<br><br>Staff exits subject to employee impact assessments (ongoing). |
| 14. | Failure to fully and timeously deliver the general services capital programme. | 4 | 5 | **20** | **20** | Chief Operating Officer Infrastructure and Environment<br><br>Chief Operating Officer Communities and Performance<br><br>Chief Officer - Finance | Adverse impact on ability to deliver Priorities and transformation programme.<br><br>Deterioration of fixed asset base resulting in assets not fit for purpose and consequential impact on delivery of services.<br><br>External audit criticism and significant reputational impact. | Set realistic and deliverable capital programme. Finance team routinely challenge budget holders.<br><br>Capital Delivery Board meets monthly to monitor status reports on delivery of capital projects and take appropriate action as required.<br><br>Progress reports on capital project delivery submitted to Operational Governance Board.<br><br>Progress reports on capital project delivery submitted to Finance, Economy and Corporate Support Committee for elected member consideration.<br><br>Capital Programme Project Status Reports. Programme Resource Plans.<br><br>Continued development of Capital and Treasury Strategies to support future capital programmes, treasury management and investment requirements. |

| | Risk | Impact | Likelihood | Previous Risk Score | CURRENT RISK SCORE | Lead Officer(s) | Consequence | Controls |
|---|---|---|---|---|---|---|---|---|
| 15. | Failure to implement the Enterprise Resource Planning system in line with project plan and budget. | 4 | 4 | **16** | **16** | Chief Operating Officer – Communities and Performance | Missed opportunity and continued reliance on inefficient and / or unsupported legacy systems.<br><br>Material financial and reputational impacts of delay or shrinking project scope.<br><br>Loss of staff and / or elected Member support leading to failure to maximise opportunity for improved and efficient processes. | Key Council subject matter experts assigned to the ERP implementation programme.<br><br>Regular programme status reports submitted to Enterprise Resource Planning (ERP) Programme Board.<br><br>Regular monthly reporting to Stirling's Future Board and CMT. |
| 16. | Failure to plan and progress the required level of transform-ational change. | 4 | 4 | **16** | **16** | Head of Customer Service and Performance | Stagnant organisational culture and behaviours.<br><br>Insufficient capacity to implement and manage change at the same time as business as usual activities compromising pace of change.<br><br>Staff may be unable or unwilling to adapt to advances in technology and digital working expectations. | Programme Management Office work with key Service subject matter experts to deliver Transformational Programmes.<br><br>Regular programme status reports on transformational projects submitted to Stirling's Future Board.<br><br>We Make Stirling Thrive transformation **themes defined in May 2023 and aligned to budget options. Transformation programme developed in conjunction with Heads of Service on a thematic basis.**<br><br>**Change management framework and benefits realisation framework developed to support all transformation programmes.**<br><br>Development of Thriving Communities programme (ongoing) to build community capacity for changes to service design and delivery.<br><br>Improve visibility and accessibility of information and self-help options for individuals and communities, underpinned by an improved and co-ordinated approach to contact, referral, information, promotion and joint-working across services, community organisations and voluntary services. (ongoing) |

| | Risk | Impact | Likelihood | Previous Risk Score | CURRENT RISK SCORE | Lead Officer(s) | Consequence | Controls |
|---|---|---|---|---|---|---|---|---|
| 17. | Delays in the supply chain caused by local or global materials shortages. | 4 | 3 | **12** | **12** | Chief Officer – Finance<br><br>Senior Leadership Team | Unable to access goods upon which vital and lifeline services rely.<br><br>Increased cost of goods as demand outstrips supply, increasing pressure on revenue and capital budgets.<br><br>Delay in the delivery of capital and infrastructure works. | Early Service engagement with Procurement and Legal teams.<br><br>Weekly challenge meetings between Service and Finance Colleagues.<br><br>Capital Project Review Meetings.<br><br>Capital Delivery Group Project Status Reporting.<br><br>Project Risk Registers and Service Risk Registers and risk escalation process.<br><br>Hold a stock of business critical supplies to mitigate against delivery delays.<br><br>Monitor industry feedback to ensure procurements are carried out in line with delivery timescales.<br><br>Regular review of projects.<br><br>Early engagement with supply chain on projects.<br><br>Framework agreements in place to facilitate best value.<br><br>Finalise Fuel Resilience Plan. |

| | Risk | Impact | Likelihood | Previous Risk Score | CURRENT RISK SCORE | Lead Officer(s) | Consequence | Controls |
|---|---|---|---|---|---|---|---|---|
| | | | | | **Governance** | | | |
| 18. | Current political situation potentially comprom-ises effectiveness and expediency of decision making process. | 5 | 4 | **20** | **20** | Chief Officer - Governance | Failure to achieve Council priorities.<br><br>Formal decision making and therefore delivery of Council services is compromised.<br><br>Licensing Board and Planning and Regulation Panel become inquorate and therefore are unable to undertake effective quasi-judicial and regulatory decision making. This could result in delays to planning and licensing decisions and, as a consequence, to deemed decisions and costly appeals out-with the control of the Council.<br><br>Administration Members' roles across multiple external bodies compromises effective discharge of Council and external body duties.<br><br>Compromised corporate transformation programme and pace of change. | Hybrid meetings held via the Public-I system provide flexibility to facilitate Member attendance and Council and Committees.<br><br>Clear and approved Scheme of Delegation, Contract Standing Orders and Financial Regulations.<br><br>All meetings held in accordance with Standing Orders and Scheme of Delegation.<br><br>Regular review and update of Local Code of Corporate Governance.<br><br>Scottish Government Code of Conduct for Councillors 2021, including Annex A: Protocol for Relations between Councillors and Employees.<br><br>Training in Scottish Government's Code of Conduct for Councillors.<br><br>Member induction and training.<br><br>Role of Chief Officer – Governance as the Council's Monitoring Officer.<br><br>Register of Elected Members Interests maintained by the Chief Officer – Governance.<br><br>Compliance with Stirling Council Code of Conduct (for Employees). |
| | | | | | **Information and Cyber** | | | |
| 19. | Failure to secure IT networks and applications. | 5 | 4 | **20** | **20** | Head of Customer Service and Performance | Successful cyber-attack.<br><br>Loss of confidential or business critical data.<br><br>Unable to deliver statutory or critical services.<br><br>**Major unforeseen financial impact from a significant cyber incident impacting on long term financial stability and service delivery.** | **A risk based mitigation approach is in place balancing investment, planning and business continuity management. Mitigations include:**<br><br>• Annual capital investment programme in place for targeted infrastructure and network improvements.<br><br>• **Centralised IT budget for software / application management.**<br><br>• Internal security operations team in place.<br><br>• Cyber incident response planning **and business continuity planning**. |

| | Risk | Impact | Likelihood | Previous Risk Score | CURRENT RISK SCORE | Lead Officer(s) | Consequence | Controls |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | • Regular independent cyber security health checks and penetration testing in place with supporting improvement plans.<br>• Internal staff training and phishing awareness campaigns held regularly. |
| 20. | Cyber-attack. | 5 | 4 | **20** | **20** | Head of Customer Service and Performance | Unable to access critical goods or services.<br>Adverse impact on ability to deliver services.<br>Financial impact from a significant cyber incident. | A risk based mitigation approach is in place balancing investment, planning and business continuity management. Mitigations include:<br>• Capital investment programme in place for targeted infrastructure and network improvements.<br>• Internal security operations team in place.<br>• Regular independent cyber security health checks and penetration testing in place with supporting improvement plans.<br>• Internal staff training and phishing awareness campaigns held regularly.<br>• Operational business continuity for purchasing critical goods and services in the event of an incident. |
| **Local Development and Housing** | | | | | | | | |
| 21. | Failure to meet the needs of those households threatened with homeless-ness. | 4 | 4 | **16** | **16** | Head of Housing | Increase in individuals and families presenting as homeless.<br>Demand for available homeless accommodation outstrips supply.<br>Cost of acquiring additional or alternative accommodation. | Increase the number of properties used for temporary accommodation to ensure the Council meets its statutory duties in relation to homelessness<br>**Various action contained within Rapid Rehousing Transition Plan and revised Housing Allocation Policy aimed at preventing homelessness.**<br>Continue to invest in the new supply of affordable housing in Stirling.<br>Provide increased support to vulnerable homeless households, including visits to vulnerable people and the Housing First model of support. |

| | Risk | Impact | Likelihood | Previous Risk Score | CURRENT RISK SCORE | Lead Officer(s) | Consequence | Controls |
|---|---|---|---|---|---|---|---|---|
| **Workforce** | | | | | | | | |
| 22. | Inadequate workforce planning arrange-ments. | 5 | 4 | **20** | **20** | Head of People and Community Wellbeing | Failure to deliver services, leading to unmet need.<br><br>Unfilled vacancies leading to delays in service delivery.<br><br>Unsustainable reliance on single points of failure.<br><br>Loss of organisational intelligence and memory. | Review of organisational change policy (May 2024).<br><br>Improved workforce planning data (including staff absence) accessible to managers and reported to Operational Governance Board. (ongoing / May 2024 for ERP dashboards).<br><br>Establishment of workforce planning board (June 2024) to provide corporate assurance on recruitment, talent management and organisational change.<br><br>Publication of a People Strategy (September 2024).<br><br>Review of absence management process and policy (October 2024).<br><br>Staff wellbeing programme (ongoing). |
| 23. | Unable to recruit and retain experienced and qualified staff. | 4 | 5 | **20** | **20** | Senior Leadership Team | Reliance on inexperienced or unqualified staff, compromising service delivery.<br><br>Failure to deliver statutory services.<br><br>Unsustainable burden on staff and breakdown in service delivery.<br><br>Loss of staff as a result of burnout / exhaustion. | Policies and procedures in place to support flexible working.<br><br>Membership of Local Government Pension Scheme.<br><br>**Staff wellbeing programme (ongoing).**<br><br>**Access to staff training via Organisation Development team.** |

**Stirling Council**

Agenda Item 11

Audit Committee

Date of Meeting: 29 August 2024

Not Exempt

# Public Interest Disclosure (Whistleblowing Policy) Annual Report 2023

## Purpose

The purpose of this report is to present the Monitoring Officer's annual report on concerns brought to her attention through whistleblowing. The requirement to present an annual report to the Audit Committee is set out within the Council's Whistleblowing Policy (the Policy). The Policy was approved by the then Finance and Economy Committee on 25 November 2021.

Consideration of this report is also consistent with the Council's Scheme of Delegation, which requires the Audit Committee to 'monitor the effective development and operation of whistle-blowing arrangements.'

## Recommendations

The Audit Committee is asked to:

1. take assurance from the contents of this Public Interest Disclosure (Whistleblowing Policy) Annual Report.

## Resource Implications

There are no direct resource implications arising from this report.

## Legal & Risk Implications

The Public Interest Disclosure Act 1998 is the relevant legislation which seeks to protect individuals who make certain disclosures of information in the public interest and which allows such individuals to bring action in respect of victimisation. Although the law does not require employers to have a Policy in place, its existence is good practice and demonstrates a commitment to listening to the concerns of staff. The Council's Policy, which was approved by the then Finance and Economy Committee on 25 November 2021, provides assurance that the Council complies with the law when a qualifying disclosure is made.

Consideration of this report also enables the Audit Committee to discharge its remit under Appendix 5a of the Council's Scheme of Delegation to monitor the effective development and operation of whistleblowing arrangements.

# 1. Background

1.1. The Policy was approved by the then Finance and Economy Committee on 25 November 2021. Section 7 of the Policy provides that:

1.1.1. *The Monitoring Officer will maintain a corporate register of all concerns that are brought to their attention through whistleblowing*.

1.1.2. *The Monitoring Officer will review the corporate register and produce an annual report for the Council's Audit Committee. The report will include a summary of the concerns raised, to which Service they related and any lessons learned*.

# 2. Considerations

2.1. In terms of the Policy, a disclosure will only be considered to be *a protected disclosure* where the worker makes that disclosure believing it to be in the public interest and that they reasonably believe that:

- a criminal offence has been committed, is being committed, or is likely to be committed;
- a person has failed, is failing, or is likely to fail to comply with any legal obligation to which they are subject;
- a miscarriage of justice has occurred, is occurring, or is likely to occur;
- the health or safety of any individual (including clients) has been, is being, or is likely to be endangered;
- the environment has been, is being, or is likely to be damaged; or
- deliberate concealment of information relating to any of the above.

2.2. In addition, the Policy is clear that it does not replace either the Grievance Policy or the Complaints Handling procedures.

2.3. In the year to 31 December 2023 three disclosures were made to the Monitoring Officer. The Monitoring Officer assessed these and determined that one fell within the terms of the Policy.

2.4. The first disclosure was deemed not to fall within the terms of the Policy. The Chief Officer – Governance agreed with the Chief Executive that the concerns raised would be passed to the Chief Executive of NHS Forth Valley for consideration in terms of that organisation's Whistleblowing Policy.

2.5. The second disclosure was assessed and deemed not to meet the public interest test nor to satisfy any of the categories listed above at paragraph 2.1.

2.6. The third disclosure, which was assessed as falling within the terms of the Policy, related to Environment and Place within the Infrastructure and Environment Service. Confirmation and assurance of actions taken to address the disclosures made was provided by the Head of Environment and Place to the Chief Officer – Governance.

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required. This is a 'technical or procedural report' and its consideration by the Audit Committee is not concerned with any proposals to achieve specific aims or to impact on any existing Council policy.

### Climate Change, Sustainability and Environmental Impact

3.2 No direct climate change, sustainability, or environmental impacts.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

### External Consultations

3.4 None.

## 4. Background Papers

4.1 EqSIA Screening.

4.2 Audit Committee Annual Report and Self-Assessment, Audit Committee, 3 September 2015 and relevant minute of the meeting.

## 5. Appendices

5.1 Not applicable.

Author(s)

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Approved by

| Name | Designation | Date |
|---|---|---|
| Julia McAfee | Chief Officer – Governance | 14 May 2024 |

| | |
|---|---|
| Details of Convener(s)and Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | All |
| Key Priorities: | All |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | All |
| | |

**Stirling Council**

Agenda Item No. 12

Audit Committee

Date of Meeting: 29 August 2024

Not Exempt

# Regulation of Investigatory Powers (Scotland) Act 2000 Annual Report 2023 and Update on Inspection

## Purpose

The purpose of this report is to provide Committee with an update on the Council's use of its powers under the Regulation of Investigatory Powers (Scotland) Act 2000 (“RIPSA” or the “Act”) during the period from 1 January 2023 to 31 December 2023. This report also provides Committee with an update on the recent inspection undertaken by the Investigatory Powers Commissioner's Office (the “IPCO”).

Responsibility for these areas of work fall within the remit of the Audit Committee under Appendix 5a of the Council’s Scheme of Delegation.

## Recommendations

The Audit Committee is asked to:-

1. note and take assurance from the contents of this report relating to the Council's use of its powers under the Regulation of Investigatory Powers (Scotland) Act 2000 in the year 2023; and
2. take assurance in relation to the actions taken to address the advice detailed in the IPCO inspection letter dated 29 May 2024.

## Resource Implications

None.

## Legal & Risk Implications

The Council is required to ensure appropriate checks and balances are in place for authorisations made under and in terms of the Act. This is to ensure that any covert surveillance activities and the acquisition of communications data are conducted in an efficient and proportionate manner and in accordance with and as required by law. This also mitigates the risk of unlawful surveillance activities being carried out by officers of the Council.

This matter is coming before committee for scrutiny following the decision of Council on 11September 2008 that an annual report would be presented to the Audit Committee.

Consequently, the outcome of the inspection by the IPCO is a matter which should also be brought before Committee for assurance.

# 1. Background

1.1. RIPSA powers are not widely used by the Council. Within the last five years there has been one authorisation, dated June 2023. Historically, authorisations have been granted mainly for Sale of Goods investigations and anti-social and criminal behaviour.

1.2. The Council's low usage of investigatory powers is reflective of the position across UK local authorities as reported by the IPCO.

# 2. Considerations

**IPCO Inspection**

2.1. The IPCO's last scheduled inspection of the Council's use of investigatory powers was 12 March 2024. The IPCO issued their outcome letter following the recent inspection on 29 May 2024.

2.2. The IPCO issued some observations and informal recommendations to improve Stirling Council's practices such as:-

2.2.1. That updates should be made to the Council's RIPSA Procedures & Guidance to reflect the merger of the Office of Surveillance Commissioners ("OSC") to the IPCO;

2.2.2. That improvements could be made to our RIPSA Application Forms;

2.2.3. That having carried out their desk top inspection and review of the Council's RIPSA Policy, Procedures, and training plans, they are satisfied with Stirling Council's ongoing compliance with the Act. Therefore, they do not propose to carry out an on-site inspection and that concludes the RIPSA inspection for 2024. The Council is due its next inspection in 2027.

**Assurance**

2.3. The Council has a framework in place around the Council's use of its powers under the Act with a RIPSA Policy (approved by Finance, Economy and Corporate Services Committee June 2023), RIPSA Procedures and Guidance, and a comprehensive suite of application/review/cancellation forms.

2.4. An extensive programme of training, organised by the Lead Solicitor – Information Governance, was delivered by an expert lawyer from Aberdeen City Council to officers involved in operating within the legislation. 36 officers attended across 2 sessions in June and July 2024.

2.5. The Council's RIPSA Procedures, and suite of forms, are currently undergoing an annual compliance review which will address all matters raised by the IPCO.

2.6. There have been no breaches of the Council's RIPSA Policy during the period from 1 January 2023 to 31 December 2023.

**Annual Return**

2.7. The IPCO collects annual statistics on the use of directed surveillance and covert human intelligence sources which are recorded on the Central Record

of Authorisations held by the Chief Officer - Governance. These statistics are then reported on in the IPCO Annual Report to the Prime Minister and the Scottish Ministers who lay the report before their respective parliaments.

2.8. The IPCO's reporting year is based on the calendar year and for this report the reporting period is from 1 January 2023 to 31 December 2023.

2.9. The Council's annual return to the IPCO for the period from 1 January 2023 to 31 December 2023 is as follows:-

2.9.1. that one authorisation for directed surveillance was granted;

2.9.2. that there were no active covert human intelligence sources in use;

2.9.3. that no authorisations for Property Interference were granted;

2.9.4. that no authorisations for Intrusive Surveillance were granted. Committee should note that the Council cannot lawfully grant authorisations for intrusive surveillance in any event.

2.9.5. that no authorisations under s49 Encryption Powers were granted. Committee should note that the Council cannot lawfully grant authorisations for S49 Encryption Powers in any event; and

2.9.6. that the Council is a partner to the following significant collaborative agreements:

2.9.6.1. Stirling Council provides trading standards services on behalf of Clackmannanshire Council. All operational staff are employed by Stirling Council.

2.9.6.2. Stirling Council provides animal health and welfare services on behalf of Clackmannanshire Council, Falkirk Council and East Dunbartonshire Council. Again, all operational staff are employed by Stirling Council.

2.9.6.3. The Council is a party to a Multi-Agency Public Protection Arrangement for Stirling, Clackmannanshire & Falkirk designed to protect the public, including previous victims of crime, from serious harm by sexual and violent offenders. The lead co-ordinator for the Forth Valley area is employed by Clackmannanshire Council and is based at Larbert Police Station with any surveillance carried out by Police Scotland.

## 3. Implications

### Equalities and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required as this report is an update report only.

### Climate Change, Sustainability and Environmental Impact

3.2 This report does not relate to a Plan, Policy, Programme or Strategy therefore neither of these policies apply.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report, no relevant issues have been identified.

**External Consultations**

3.4 N/A.

## 4. Background Papers

4.1 Investigatory Powers Commissioner Inspection Report dated 29 May 2024.

4.2 Stirling Council RIPSA Policy, Procedures and Guidance v4 June 2023.

## 5. Appendices

5.1 None.

Author(s)

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Approved by

| Name | Designation | Date |
|---|---|---|
| Julia McAfee | Chief Officer - Governance | 1 August 2024 |

| | |
|---|---|
| Details of Convener(s) and Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | All |
| Key Priorities: | 2. Providing quality services people need and maintaining effective relationships with our staff and external organisations. |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | Resilient - People are part of safe and caring communities within an attractive and sustainable environment |

**Stirling Council**

Agenda Item No. 13

Audit Committee

Date of Meeting: 29 August 2024

Not Exempt

# Stirling Council Audited Accounts 2022/23

## Purpose

The purpose of this report is to outline the key features of the financial position set out in the 2022/23 audited accounts and to ask the Audit Committee to approve for signature the audited Stirling Council Accounts for the year ended 31 March 2023.

In terms of the Scheme of Delegation, the Audit Committee has responsibility for considering the external auditor's report to those charged with governance on issues arising from the audit of the accounts. The Audit Committee also has responsibility for approving for signature the audited Accounts of Stirling Council for each financial year, in line with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

## Recommendations

Audit Committee is asked to:

1. note the key features of the financial position set out in the 2022/23 Audited Accounts; and
2. approve for signature the audited Stirling Council Accounts for the year ended 31 March 2023 (Appendix 1).

## Resource Implications

The fee for the 2022/23 audit of Stirling Council is £289,140 (2021/22: £254,870). In addition, the fee for the audit of the Charitable Trust accounts administered by Stirling Council is £8,000 (2021/22: £1,367).

The Council's external auditor, Deloitte LLP, has written to the council seeking additional fees on top of the £289,140 expected fee. This additional fee request is currently subject to further discussion.

## Legal & Risk Implications

The Local Authority Accounts (Scotland) Regulations 2014 require either the Council or a Committee of the Council charged with audit or governance to meet to consider the audited Annual Accounts, and aim to approve those accounts for signature no later than 30 September immediately following the financial year to which the accounts relate.

In terms of Appendix 5a of the Scheme of Delegation, the Audit Committee has responsibility for considering the external auditor's report to those charged with governance on issues

arising from the audit of the accounts. The Audit Committee also has responsibility for approving for signature the audited Accounts of Stirling Council for each financial year, in line with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

## 1. Background

1.1. The Council's appointed external auditors, Deloitte LLP, have concluded their audit of Stirling Council's Accounts for the year to 31 March 2023.

1.2. This report outlines the key features of the financial position set out in the 2022/23 Audited Accounts. The Auditor's Final Report on the Accounts is the subject of a separate report on the Audit Committee agenda.

1.3. Following the meeting, arrangements will be made for the signed accounts to be placed on the Council's website for viewing by interested organisations and the general public.

## 2. Considerations

2.1 Deloitte LLP, as external auditors, have concluded their audit of Stirling Council's accounts for the year ended 31 March 2023.

2.2 The key features of the financial position displayed in the Accounts are set out below.

**General Fund**

2.3 Services reported an overspend of £1.113m, being the position prior to the inclusion of the Health & Social Care Partnership (HSCP), where the final outturn showed an underspend of £1.870m. In accordance with the terms of the HSCP Integration Scheme, any underspend is treated as monies owed to the HSCP and is reflected as a Stirling Council creditor. This resulted in a breakeven position for the Stirling Council element of HSCP.

2.4 Corporate areas of the budget showed a net overspend of £3.398m, which included a minor redetermination of General Revenue Grant (£10k), a shortfall in budgeted Council Tax income (£289k), a contribution to the Branshogle and Catter Burn bridge repairs (£195k), the transfer of funding to the Transformation Fund (£1.82m) and the unfunded element of the 2022/23 pay award (£2.227m). These costs were partly offset by a minor saving in the contributions to the Valuation Joint Board (£13k), a saving in compensatory added years' pension payments (£108k) and a saving from loan charges (£1.022m).

2.5 Uncommitted General Fund reserves (including HSCP outturns) were £5.682m, being 2.3% of General Fund budget and therefore within the target range of 2% to 2.5% (£5.1m to £6.3m).

2.6 The reported reserves position was prior to taking account of the remaining committed contribution of £573k in 2023/24 to the Branshogle and Catter Burn bridge repairs. This contribution would bring the reported level of uncommitted reserves down to £5.109m (2% of General Fund budget), and therefore at the minimum target level.

2.7 However, the Council budget meeting on 2 March 2023 agreed to allocate the sum of £1m from Service Concession monies to support the uncommitted reserves position in 2023/24.

**Housing Revenue Account (HRA)**

2.8 Stirling Council owns 5,960 houses for which it charges rent. All expenditure associated with these houses must be funded from the rental income generated. Any surplus or deficit at the end of the year is transferred into or out of the HRA balances. For 2022/23, HRA reported a balanced budget position resulting in HRA balances of £986k.

**Pension Costs**

2.9 Under International Accounting Standard 19 (IAS19), Stirling Council is required to disclose information regarding the pension fund assets and liabilities of the Local Government Pension Scheme. Following the latest formal fund valuation as at 31 March 2023, Hymans Robertson, an independent firm of actuaries, has calculated a net asset position on the Scheme as at 31 March 2023, with Stirling Council's share being £10.4m. This represents an improvement of £215.3m when compared with the net liability position of £204.9m as at 31 March 2022.

2.10 The improvement is principally due to an increase in the value of pension assets and a decrease in pension liabilities as a result of demographic changes and financial assumptions.

2.11 Employer's contributions to the pension fund during 2022/23 were charged at 22.5% of total pensionable employee pay in line with actuarial advice. Following the formal fund valuation undertaken at 31 March 2020, the actuary recommended that contributions increase to 23% for 2023/24.

2.12 The latest formal fund valuation as at 31 March 2023 confirmed a much improved funding position for the Falkirk Council Pension Fund. As a result, the Pension Fund Actuary has confirmed that Stirling Council employer's contributions for the period 2024/25 to 2026/27 will reduce to 19.5%, rising to 20% in 2027/28.

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required as the report is a technical report presenting the 2022/23 Stirling Council Accounts and does not have any implications on current policies or service delivery.

### Climate Change, Sustainability and Environmental Impact

3.2 There is no impact on the Council's duty relating to climate change, nor is there any direct sustainability or environmental impact as a result of this report.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

### External Consultations

3.4 None.

## 4. Background Papers

4.1 EqSIA Screening.

4.2 Special Meeting of Stirling Council 21 October 2022: Branshogle Bridge and Catter Burn Bridge Update and relevant minute of the meeting.

4.3 Stirling Council 8 June 2023: Stirling Council Draft Accounts 2022/23 and relevant minute of the meeting.

## 5. Appendices

5.1 Appendix 1 - Stirling Council Abstract of Accounts 2022/23.

Author(s)

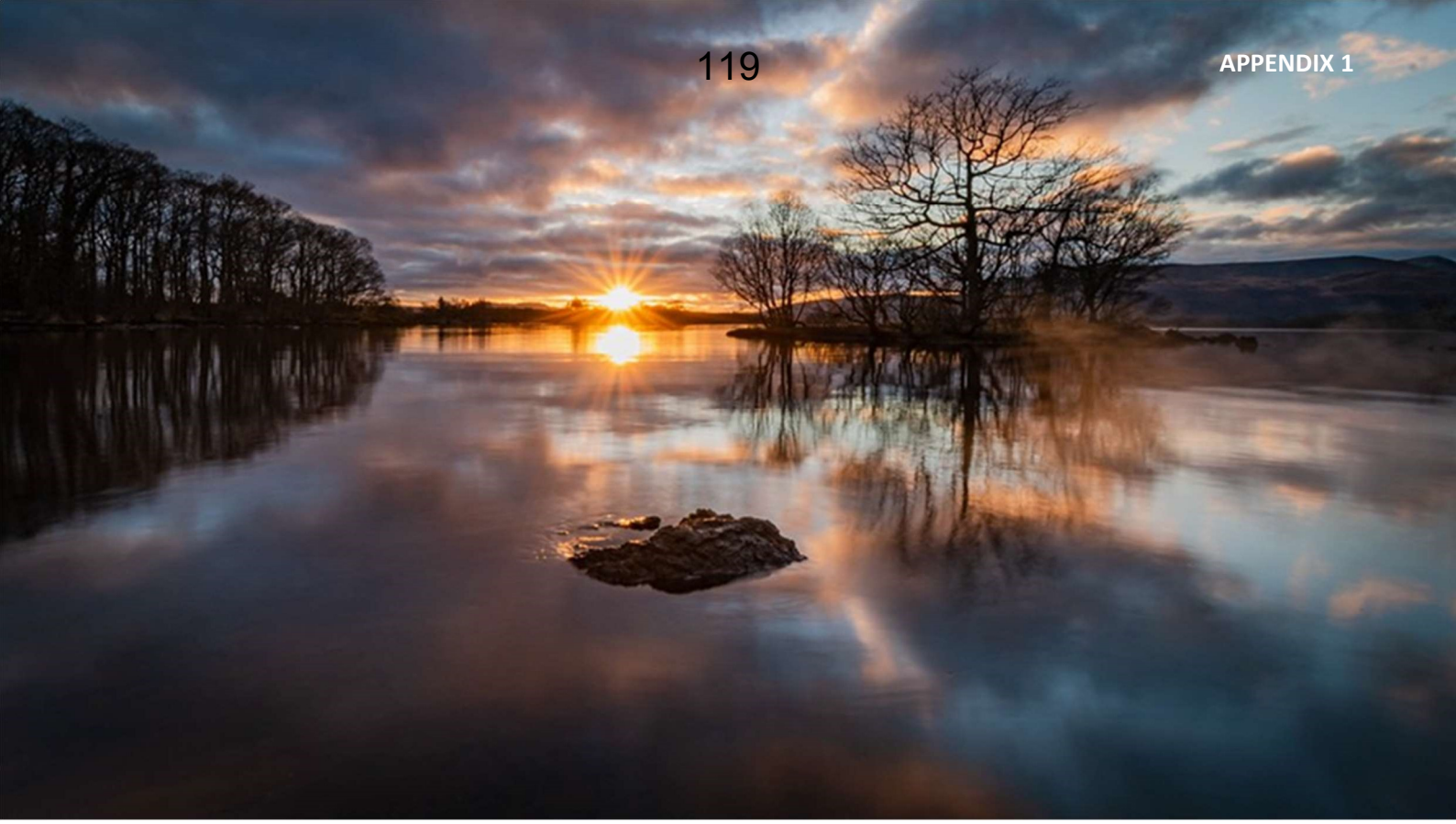
| Name | Designation | Telephone Number/E-mail |
|---|---|---|
| George Murphy | Finance Service Manager<br>(Acting Section 95 Officer) | 01786 233356<br><br>murphyg@stirling.gov.uk |

Approved by

| Name | Designation | Date |
|---|---|---|
| Caroline Sinclair | Chief Executive | 19 August 2024 |

| | |
|---|---|
| Details of Convener(s) and Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | Not applicable |
| Key Priorities: | 4. Developing a competitive and thriving sustainable local economy across Stirling. |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | Prosperous - People are part of a prosperous economy that promotes inclusive growth opportunities across our communities |



Loch Lomond Sunset (afrosoul67)

# STIRLING COUNCIL
# ANNUAL ACCOUNTS
# 2022/23

# Annual Accounts - Contents


| | | Page |
|---|---|---|
| **Independent Auditor's Report** | | 3 |
| **Management Commentary** | | 6 |
| **Explanatory & Assurance Statements** | | |
| Statement of Responsibilities | | 22 |
| Annual Governance Statement | | 23 |
| Remuneration Report | | 34 |
| **Principal Financial Statements of the Single Entity** | | |
| Comprehensive Income and Expenditure Statement | | 40 |
| Movement in Reserves Statement | | 41 |
| Balance Sheet | | 42 |
| Cash Flow Statement | | 43 |
| **Notes to the Single Entity Financial Statements** | | |
| **Expenditure and Funding Analysis** | | |
| Note 1 | Expenditure and Funding Analysis | 44 |
| Note 2 | Expenditure and Income Analysis By Nature | 46 |
| Note 3 | Reconciliation of Comprehensive Income & Expenditure Statement Surplus/Deficit on Provision of Services to Revenue Budget Surplus/Deficit | 47 |
| **General Accounting Policies & Assumptions** | | |
| Note 4 | General Accounting Policies (where no accompanying note) | 47 |
| Note 5 | Accounting Standards Not Yet Adopted | 49 |
| Note 6 | Critical Judgements Applied | 49 |
| Note 7 | Future Assumptions & Estimation Uncertainties | 50 |
| Note 8 | 2022/23 Stirling Council Accounts Disclosure in Respect of Prior Period Error | 51 |
| Note 9 | Contingent Liabilities | 52 |
| Note 10 | Events After The Reporting Period | 52 |
| **Comprehensive Income and Expenditure Statement** | | |
| Note 11 | External Audit Costs | 52 |
| Note 12 | Grants and Taxation Income | 52 |
| **Statement of Movements in Reserves** | | |
| Note 13 | General Fund Reserves | 53 |
| Note 14 | Adjustments Between Accounting Basis and Funding Basis Under Regulations | 54 |

| | | Page |
|---|---|---|
| **Balance Sheet** | | |
| Note 15 | Intangible Assets | 56 |
| Note 16 | Property, Plant & Equipment | 56 |
| Note 17 | Heritage Assets | 61 |
| Note 18 | Investment Property | 61 |
| Note 19 | Impairments/Downward Revaluations | 62 |
| Note 20 | Capital Expenditure and Capital Financing | 62 |
| Note 21 | Long Term Debtors | 63 |
| Note 22 | Short Term Debtors | 63 |
| Note 23 | Cash & Cash Equivalents | 63 |
| Note 24 | Short Term Creditors | 63 |
| Note 25 | PFI and PPP Contracts | 64 |
| Note 26 | Pension Costs | 65 |
| Note 27 | Unusable Reserves | 69 |
| Note 28 | Leases | 71 |
| Note 29 | Financial Instruments (FI) | 72 |
| Note 30 | Nature and Extent of Risks Arising From Financial Instruments | 74 |
| Note 31 | Related Parties | 76 |
| **Supplementary Financial Statements** | | |
| Housing Revenue Account | | 77 |
| Council Tax Income Account | | 79 |
| Non Domestic Rates Income Account | | 80 |
| Common Good Funds | | 81 |
| Trust Funds | | 82 |
| **Principal Financial Statements of the Group** | | |
| Group Comprehensive Income & Expenditure Statement | | 83 |
| Group Movement in Reserves Statement | | 84 |
| Group Balance Sheet | | 85 |
| Group Cash Flow Statement | | 86 |
| **Notes to the Group Financial Statements** | | |
| 1. Group Accounting Policies | | 87 |
| 2. Non-Consolidation Interests in Other Entities | | 89 |
| 3. Financial Results of Associates and Joint Ventures | | 89 |
| 4. Financial Impact of Group Consolidation | | 90 |
| **Glossary of Terms** | | 91 |

## Independent auditor's report to the members of Stirling Council and the Accounts Commission

### Reporting on the audit of the financial statements

**Opinion on financial statements**

We certify that We have audited the financial statements in the annual accounts of Stirling Council and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash Flow Statement, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-domestic Rate Account, the Common Good Funds and Trusts, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2023 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

**Basis for opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence We have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern basis of accounting**

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, we report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

**Risks of material misstatement**

We report in our Annual Audit Report the most significant assessed risks of material misstatement that We identified and our judgements thereon.

**Responsibilities of the Finance Service Manager (Acting S.95 Officer) and Stirling Council for the financial statements**

As explained more fully in the Statement of Responsibilities, the Finance Service Manager (Acting S.95 Officer) is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Finance Service Manager (Acting S.95 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Finance Service Manager (Acting S.95 Officer) is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The Stirling Council Audit Committee is responsible for overseeing the financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- considering the nature of the board's control environment and reviewing the board's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired with management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities;
- inquiring of the Finance Service Manager (Acting S.95 Officer) as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Finance Service Manager (Acting S.95 Officer) concerning the policies and procedures of the councils and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003 and the Public Bodes (Joint Working) Scotland Act 2014.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These included the Data Protection Act 2018 and relevant employment legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud was in relation to the capital expenditure. Where the Council develops properties as part of its capital programme, determining whether or not expenditure should be capitalised can involve judgement as to whether the costs should be capitalised under IFRS. The increasing pressures on the revenue budgets increases the risk of amounts being incorrectly capitalised. In response to this work, we have evaluated significant judgements made by management in regards to capital projects, including the capitalisation of staff costs and other project development costs. In addition, we have tested a sample of capital expenditure to confirm that they have been correctly capitalised.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and internal legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

## Reporting on other requirements

**Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report**

We have audited the parts of the Remuneration Report described as audited. In our opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

**Other information**

The Finance Service Manager (Acting S.95 Officer) is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we

conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

**Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

**Matters on which we are required to report by exception**

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**Conclusions on wider scope responsibilities**

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

## Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom

# Management Commentary

The purpose of the Management Commentary is to present an overview of Stirling Council's performance during the 2022/23 financial year and to help readers understand its financial position at 31 March 2023. In addition, it outlines the main issues and risks that may impact the performance of the Council in the future.

The Council also works closely with Stirling and Clackmannanshire Health and Social Care Partnership, which delivers adult care services across the region, and with Active Stirling which delivers leisure services. The structure of Stirling Council is set out below:

## Stirling Council's structure

### CHIEF EXECUTIVE OFFICE
Responsible for development of corporate policy, particularly in the areas of social inclusion, equalities, best value and efficient government.

### EDUCATION
Responsibilities include primary and secondary schools, early learning and childcare, additional support needs, education psychology and youth services.

### CHILDREN AND FAMILIES
Responsibilities include children's social work services and criminal justice social work services.

### INFRASTRUCTURE
Services include planning, building standards, property, transport, parking, environmental health, trading standards, and climate change & sustainability.

### ENVIRONMENT AND PLACE
Services include waste and recycling, roads and street lighting, traffic management, land services and council vehicle management.

### ECONOMIC DEVELOPMENT AND CULTURE
Responsibilities include economic development, delivery of the Stirling and Clackmannanshire City Region Deal, culture, tourism and events.

### HOUSING
Services include allocations, homelessness, repairs, private sector housing, and income management.

### PEOPLE AND COMMUNITY WELLBEING
Responsibilities include human resources, organisational development, communications, community, resilience, support services and libraries.

### CUSTOMER SERVICE AND PERFORMANCE
Services include customer services and performance, information technology, business planning and transformation.

### GOVERNANCE
Responsibilities include audit, legal, counter fraud, licensing, records & information, governance, committee, elections and elected member support.

### FINANCE
Responsibilities include council tax, benefits, accounting, and procurement.

Stirling Council, one of 32 local authorities in Scotland, was established by the Local Government Scotland Act and came into being on 1 April 1996.

It provides services to 93,500 residents in the entire Stirling area, which has a mixed geography, comprising the city of Stirling, towns of Bridge of Allan, Dunblane, Doune and Callander, along with many villages. The area also comprises part of Loch Lomond and The Trossachs National Park.

Local Government elections take place every 5 years. Polling for the most recent government elections took place on Thursday 5 May 2022, resulting in 23 councillors being elected to Stirling Council across 7 electoral wards. Since that date, one by-election has been held and, as a result, the Council is comprised as follows:

| | LAB | CON | SNP | GRE | IND | ALBA | Administration |
|---|---|---|---|---|---|---|---|
| Post May 2022 | 5 | 8 | 7 | 1 | 2 | 0 | Minority Labour Administration |
| Pre May 2022 | 4 | 9 | 7 | 1 | 1 | 1 | SNP / Labour Partnership |

The kind of services that the Council provides includes housing, economic development, nursery, primary and secondary education, roads and waste services as outlined below:

The Council is also part of a wider Group, with partnerships spanning a number of organisations to different degrees:

## Our Aims and Objectives

Stirling Council is committed to ensuring the best possible outcomes for **everyone** who lives in the Stirling Council area, and we continue to work alongside our partners in achieving this goal. As a Council, our vision for the Stirling area is a place where everyone can thrive, and together with our partners and communities, we are driving forward an ambitious programme of change to achieve this. Stirling Council's ten year strategy '**Thriving Stirling**', (10 year strategy | Stirling Council), delivers a blueprint for innovation and change to address the rapidly evolving landscape within which the Council delivers services.

The Thriving Stirling strategy sets out the prospects we see for our communities, organisation and workforce, to be clear about our strategic priorities and explain how we will be adaptive. Our Thriving Stirling Strategy supports the four key **Stirling Plan** outcomes (**Prosperous, Healthy, Achieving and Resilient**).

The Strategy is underpinned by the Council's ten strategic priorities, agreed by the Council in December 2022 and to be delivered within the five years of its terms (2022-2027).

ThrivingStirling

STRATEGIC PRINCIPLES
ThrivingStirling
Community Wealth Building
Public Transport
Cost of Living
Quality Standards in Service Delivery
PRIORITIES
1
Improve the quality of life by providing responsive services that ensure our neighbourhoods are attractive, safe and happy for everyone.
2
Providing quality services people need and maintaining effective relationships with our staff and external organisations.
3
Building community capacity and empowering citizens through participation and partnerships.
4
Developing a competitive and thriving sustainable local economy across Stirling.
5
Improving health and wellbeing outcomes ensuring equal access to opportunities that help our citizens and communities thrive.
6
Embedding digital and physical connectivity and accelerating infrastructure development.
7
Ensuring our young people have access to the best quality education enabling the best start in life.
8
Tackling the climate and nature emergency and pursuing our net zero ambition through action.
9
Investing in wellbeing, including sport, leisure, food & nutrition, culture and events.
10
Continuing investment in housing, learning & education to address health and wellbeing inequalities.
STRATEGIC DELIVERY
3-year Business Plan
10-year Strategy
The Promise
Economic Strategy
Climate and Nature Emergency Plan

[1] The Promise is that Scotland's children and young people will grow up loved, safe and respected. To keep it, Scotland must bring about the change demanded by its Independent Care Review.

## Recovery from Covid-19

Whilst measures such as lockdowns were no longer a feature of day-to-day life during 2022/23, the ongoing impacts of the Covid-19 pandemic continues to be felt by the Council and its residents. In terms of service delivery, governance, financial management and outlook, the pandemic has fundamentally changed how the Council operates and is likely to operate for many years.

Many of the Council's workforce continued to operate on a hybrid basis, with Council now moving forward with an Accommodation Strategy and Plan which will seek to reduce the Council's property footprint to reflect this new way of working and to realise efficiency savings as a result. Council meetings are also now hybrid and live streamed using the Public-i system.

Use of car parks, public transport and footfall in our towns and cities has still not returned to pre-pandemic levels, with the result that some income streams may never recover to those pre-2020.

The post-pandemic recovery was impacted by the high inflationary environment and cost-of-living crisis during 2022/23. The Council continued to support businesses, communities and vulnerable citizens with measures such as free school meal payments during school holidays, discretionary grants including those to assist with high energy costs and providing additional funding for the Council's Welfare Fund.

The Council continued to make use of the remaining additional Covid-19 funding which was provided by the Scottish Government in 2020/21 and 2021/22 on a one-off basis to mitigate the additional cost of providing this support.

## Financial Strategy

The Council's financial strategy supports the delivery of the Council's strategic priorities, which were agreed in December 2022 however, due to increasing demands for services, significant inflationary increases across many areas of cost, higher than anticipated pay awards and core grant funding that has not kept pace with these pressures, the Council faces a significant challenge to maintaining its financial sustainability over the next few years.

As outlined in the ten-year Thriving Stirling strategy, the Council has developed a longer term approach to financial planning and budgeting over many years.

The Council takes a strategic approach to managing its revenue spend, capital investment and treasury requirements:

- A Draft Three Year Budget Position (2023/24-2025/26) was presented to the Council in March 2023, along with the 2023/24 balanced budget. This indicated a cumulative £17.536m budget gap over the period, which the Council must address through transformation and service redesign. Work is currently underway to develop a comprehensive five-year Medium Term Financial Plan, which will further articulate the extent of the financial challenges the Council faces in the medium to long term, and will further inform the Council's long term transformation programme – this will be published in 2023/24.

- A Capital Strategy, which outlines how capital planningwill be undertaken to enable the Council to achieve its longer term strategic objectives was approved in September 2023. Work on developing a five-year rolling Capital Plan is now underway.

- The Treasury Management Strategy 2023/24 was presented to Council in March 2023, outlining how the Council will ensure that its short-term liquidity requirements and longer term capital

investment proposals will be funded. The Strategy illustrates how treasury risks in relation to borrowings and cash and cash equivalents are managed effectively and in accordance with the principles of the CIPFA Prudential Code, to ensure the long term financial sustainability of the Council.

## Our Performance

### Our Vision, Outcomes and Priorities

Stirling's first Local Outcomes Improvement Plan (LOIP) is known as the Stirling Plan.

The consistent message from the different types and sources of information about the lives of people living in Stirling is, that whilst the area is doing reasonably well overall, there are real and significant inequalities between our most and least disadvantaged that stubbornly persist.

Stirling's Community Planning Partnership has a simple, yet powerful, vision for the Stirling Plan, that within the ten years of this focused, collaborative and targeted approach, our communities in Stirling will become places 'where everyone can thrive'.

This Plan captures the leadership commitment and targeted strategic response of community planning partners to organise activity and resources to make sure that collective efforts are focused on realising our vision. This will mean reducing inequalities and making a real difference to the lives of families who are most in need.

The Stirling Plan will focus partnership delivery towards four cross-cutting priority outcomes:

- Prosperous: People are part of a prosperous economy that promotes inclusive growth opportunities across our communities
- Healthy: People are healthy and live active, full and positive lives within supportive communities
- Achieving: People are skilled and supported to make a positive contribution to our communities
- Resilient: People are part of safe and caring communities within an attractive and sustainable environment.

Following the election of the new Council after the local government election in May 2022, the new administration worked to set its strategic priorities for the next five years.

Stirling Council's Strategic Priorities set out the overarching principles to guide future decision making for the Council over the period 2022-27. The priorities were proactive and responsive to the needs of residents and businesses in a fast-changing environment, and will build for the future while respecting Stirling's culture and heritage. These also priorities provide the foundation of the strategic planning, performance and improvement framework, providing the starting point for a more outcomes-focused approach.

As noted earlier, in December 2022, the Council agreed the following strategic priorities based on the principle of, and commitment to, achieving the best possible outcomes for Stirling's residents, communities, businesses, partners and stakeholders:

1. Improving the quality of life by providing responsive services that ensure our neighbourhoods are attractive, safe and happy for everyone.
2. Providing quality services people need and maintaining effective relationships with our staff and external organisations.
3. Building community capacity and empowering citizens through participation and partnerships.
4. Developing a competitive and thriving sustainable local economy across Stirling.
5. Improving health and wellbeing outcomes ensuring equal access to opportunities that help our citizens and communities thrive.

6. Embedding digital and physical connectivity and accelerating infrastructure development.
7. Ensuring our young people have access to the best quality education enabling the best start in life.
8. Tackling the climate and nature emergency and pursuing our net zero ambition through action.
9. Investing in wellbeing, including sport, leisure, food & nutrition, culture and events.
10. Continuing investment in housing to address health and wellbeing inequalities.

## Performance and Accountability

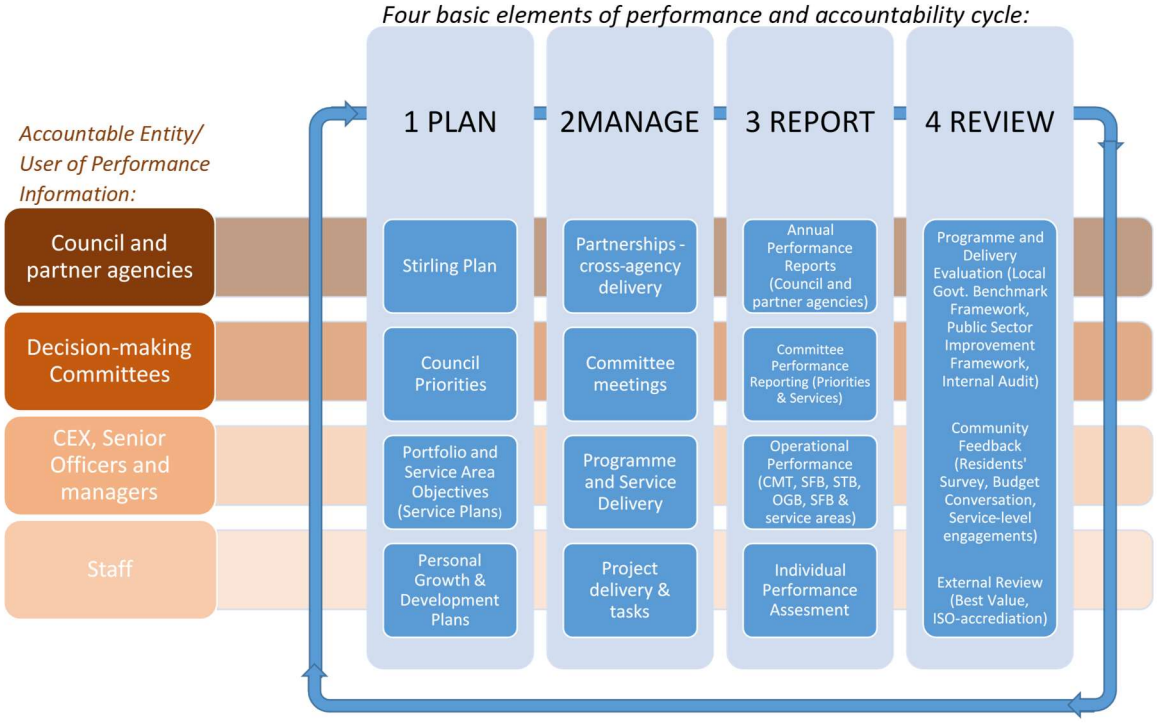
Performance and accountability draws on a range of mechanisms including statutory and regulatory requirements; regional local plans and performance criteria; national and inter-agency agreements: industry and sector best practice; internal evaluations; independent reviews; and government performance and management guidelines. The Council's challenge in managing performance and accountability is to bring these together in a coherent and practical way that can be used every day.

Good performance and accountability involves a cycle of continuous review and improvement, with the review stage informing the planning of the next cycle. The four basic elements of this cycle are:

- planning objectives and actions;
- managing or delivering services;
- reporting on the performance of the service provided; and
- reviewing and evaluating outcomes.

Additionally, each of these elements occurs and looks different across the hierarchy of the Council. In general, the higher the level of performance and accountability, the longer its cycle and the less concerned it should be with detail or the minutiae of things. For instance, the Council's strategic priorities are reviewed for every new term of a political administration (that is, every five years), but the Council's performance is delivered, reported and refined annually.

Stirling Council's Performance and Accountability Framework – showing the cycle and hierarchy:


Four basic elements of performance and accountability cycle:
Accountable Entity/ User of Performance Information:
Council and partner agencies
Decision-making Committees
CEX, Senior Officers and managers
Staff
1 PLAN
2MANAGE
3 REPORT
4 REVIEW
Stirling Plan
Council Priorities
Portfolio and Service Area Objectives (Service Plans)
Personal Growth & Development Plans
Partnerships - cross-agency delivery
Committee meetings
Programme and Service Delivery
Project delivery & tasks
Annual Performance Reports (Council and partner agencies)
Committee Performance Reporting (Priorities & Services)
Operational Performance (CMT, SFB, STB, OGB, SFB & service areas)
Individual Performance Assesment
Programme and Delivery Evaluation (Local Govt. Benchmark Framework, Public Sector Improvement Framework, Internal Audit)
Community Feedback (Residents' Survey, Budget Conversation, Service-level engagements)
External Review (Best Value, ISO-accrediation)

Throughout 2022-23, the Council has continued to strengthen the alignment between performance management and strategic plans and priorities by full implementation of the Outcomes Based

Accountability (OBA) approach following confirmation of the Council's strategic priorities. The goal of the new approach is to ensure strategic priorities are delivered through clear lines of accountability and delivery, through understanding performance and tangible plans for improvement within appropriate timeframes.

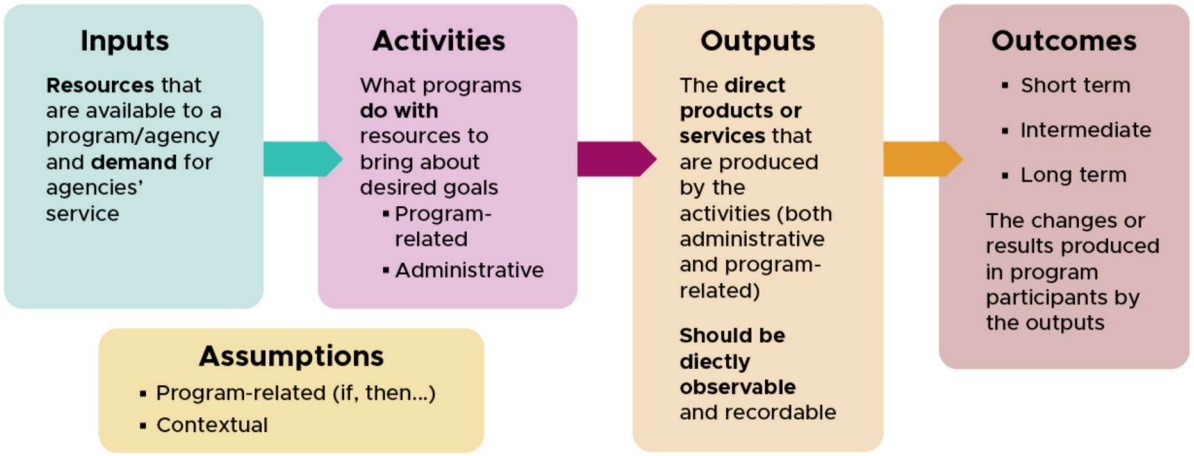
In November 2021, Stirling's Future Board agreed a new Planning, Performance and Improvement approach for the Council. The approach adopts OBA to provide a framework for planning and performance, working across organisational boundaries to focus on strategic outcomes.

The Corporate Management Team has been implementing an OBA approach to how it plans to deliver on the priorities and how to measure performance against the priorities, working across organisational boundaries to deliver on outcomes for the residents of Stirling.

OBA is a disciplined way of thinking and taking action to drive improvements in outcomes for residents, and has been used by organisations to improve the performance of their programmes. OBA is an evidence-based process that works backwards from the priority or outcome, to identify the actions which are needed to achieve that outcome.

This is visualised through the development of a logic model, or theory of change.

A logic model is a graphical representation of how a program's resources and activities work toward creating an intended change. A logic model serves as a road map for delivery and allows evaluation.


Inputs
Resources that are available to a program/agency and demand for agencies' service
Activities
What programs do with resources to bring about desired goals
Program-related
Administrative
Outputs
The direct products or services that are produced by the activities (both administrative and program-related)
Should be diectly observable and recordable
Outcomes
Short term
Intermediate
Long term
The changes or results produced in program participants by the outputs
Assumptions
Program-related (if, then...)
Contextual

## Local Government Benchmarking Framework

The Council is required to report on performance in accordance with the Local Government Benchmark Framework (LGBF). This framework is a set of performance indicators developed for Scottish councils to compare performance and encourage shared learning and continuous improvement.

The 2021/22 LGBF data showed that Stirling Council had:

- 25 indicators in the top 25% of councils in terms of performance;
- 37 indicators in the bottom 35% of councils in terms of performance;
- 16 indicators where the ranked position was static;
- 47 indicators that had improved their ranked position since the previous year;
- 36 indicators where the ranked position had declined since the previous year.

## Public Performance Reports

The Council is required to report on a range on information sufficient to demonstrate that it is securing best value across the range of services that it provides.

Performance dashboards for various Services across the Council can be found on the Council's website at the following path: Public Performance Reporting | Stirling Council.

Service Update Report and Operational Performance Reports are reported to the relevant Council Committee and can be found on the Council's website at the following path: Minutes and agendas | Stirling Council.

LGBF data can be found at: Explore the data | Benchmarking (improvementservice.org.uk).

## Risk Management

The Council's Risk Management Policy (the Policy) outlines key responsibilities for ensuring the effective management of risks to the Council's strategic and service objectives. Application of the Policy is supported by procedures, guidance on assessing risk and a risk appetite statement. Stirling Council's Policy, procedures and risk appetite statement will be reviewed and updated during 2023/24.

Stirling Council maintains a Strategic Risk Register (SRR). The SRR documents the key risks that may impact on the Council's ability to deliver on its priorities and key objectives. Under powers delegated by Council the Audit Committee undertakes regular scrutiny of the SRR and challenges the effectiveness of the risk treatments put in place by risk owners.

Operational Risk Registers (ORRs) are maintained by each Council Service. The purpose of these ORRs is to ensure that risks generated by, or likely to impact on, each Service are managed effectively. These are reviewed and updated on an ongoing basis to take account of changes in the operating environment affecting the Service. Significant operational risks may be escalated to the Strategic Risk Register.

Strategic risks are submitted to the Audit Committee for regular scrutiny and oversight.

## Our Key Risks

The Strategic Risk Register currently sets out 42 separate risks along with the potential consequences arising from each risk and the controls in place to mitigate that risk. Examples of 'Red' risks, based on an assessment of likelihood and impact, are as follows:

| |
|---|
| **Failure to deliver services within the agreed and balanced revenue budget:**<br><br>This relates to the management of risks to the delivery of statutory and other services in line with the annual budget approved by Council. Mitigations include the monitoring of budgets and agreed savings targets and challenge by professional Finance team staff. |
| **Failure to proportionately respond to the ongoing ecological emergency and climate change:**<br><br>This involves managing risks relating to the achievement of targets set out in the Climate Change (Scotland) Act 2009, as amended by the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. Actions taken in terms of the Council's Climate and Nature Emergency and Climate Adaptation Plans assist in mitigating this risk. |

| |
|---|
| **Increasing cost of living and the impact on communities:**<br><br>This risk arises from additional demands on Council services due to increasing financial hardship. This risk is principally managed through developing a programme of community support and advice, improving accessibility to Council services and developing relationships with community organisations and voluntary services. |
| **Failure to plan and progress the required level of transformational change:**<br><br>This relates to the management of risks to the Council's ability to transform the way it delivers services, realising savings and resulting in better customer experience. Governance and operational structures are in place to manage a wide ranging and ambitious portfolio of transformation projects, with regular scrutiny and challenge via officer boards and elected Members. |
| **Delays in the supply chain caused by local or global materials shortages:**<br><br>The increasing cost and limited availability of goods and services impacts on the Council's ability to deliver front line services. Regular review of key capital projects and controls in relation to the procurement of Council goods and services help mitigate this risk. |

## Key Financial Ratios

The following table provides information regarding the financial performance of the Council and the affordability of its ongoing commitments:

| Financial Indicator | Commentary | 2022/23 | 2021/22 |
|---|---|---|---|
| **Uncommitted General Fund reserve as a % of annual net budget** | Reflects the amount of funding available to manage unplanned events. The Council's Reserves Policy states a minimum level of 2% - 2.5% of net budget, which is considered appropriate in the context of the Council's financial and ongoing risk profile.<br><br>Reserve balances reduced during the year as a result of fund: a net overspend on services from the impact of inflationary pressures on food, fuel, energy & contractor costs; the need to meet the unfunded element of the 2022/23 pay award and to fund a transfer to the Council's Transformation Fund. | 2.3% | 4.5% |
| **In year council tax collection** | Reflects Stirling Council's effectiveness in collecting council tax debt. Stirling has one of the highest Council tax collection rates in Scotland. | 97.85% | 97.68% |
| **Council Tax funding to overall level of funding** | Reflects the overall percentage of Stirling Council funding that is received from local taxation. This indicator is in line with all other local authorities. | 21.7% | 22.5% |
| **Actual outturn compared to budgeted expenditure** | How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of budget monitoring as reported throughout the year, and reflects continuing sound financial management across the Council. | 101.8% | 100.7% |

| Financial Indicator | | 2022/23 | 2021/22 |
|---|---|---|---|
| **Capital financing requirement** | Reflects Stirling Council's underlying need to borrow to finance capital expenditure incurred historically by the Council that has yet to be financed. (See Note 16) | £271.469m | £265.485m |
| **External debt levels** | The actual external debt and long term liabilities position of Stirling Council.<br><br>Excluding debt associated with other statutory bodies<br><br>The actual figures above should never exceed Stirling Council's Authorised Debt Limits, which are calculated in line with the requirements of the Prudential Code for Capital Finance in local Authorities. | £212.888m<br><br>£205.488m<br><br>£311.973m | £192.839m<br><br>£185.299m<br><br>£325.578m |
| **Ratio of finance costs to net revenue stream** | This is a measure of how affordable Stirling Council's capital plans are. It takes actual finance costs as a % of net revenue spend.<br><br>*If additional COVID-19 grant funding is excluded from General Revenue Grants, this figure would be 8%. | General Fund 6%<br><br>HRA 17% | General Fund 7%*<br><br>HRA 19% |

## Financial Performance

### Primary Financial Statements

The annual accounts summarise the Council's transactions for the year, its financial position at 31 March 2023 and its cashflows. The annual accounts are prepared in accordance with the International Accounting Standards Board Framework for the Preparation and Presentation of the Financial Statements as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

The Primary Statements include the Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement (MIRS), Balance Sheet and Cashflow Statement. These statements are accompanied by notes to the accounts which provide more details on the figures shown in the statements and set out the accounting policies adopted by the Council.

The CIES presents the total cost of providing Council Services in 2022/23 along with the income available to fund those services.

### Usable Reserves

The Council holds funds in a number of Usable Reserves for various purposes. A breakdown of these Reserves is shown below:

| General Fund Non-Earmarked Reserve | General Fund Earmarked Reserve | Housing Revenue Account |
|---|---|---|
| **£5.682m** | **£24.176m** | **£0.986m** |
| **(2021/22 £10.193m)** | **(2021/22 £34.238m)** | **(2021/22 £0.986m)** |
| Funds held as a general contingency | Funds held for specific purposes – see note 12 | For spending on the Council's housing stock |

**Repairs & Renewals Fund**

**£1.838m**

**(2021/22 £2.256m)**
For specific types of repair and maintenance work

**Insurance Fund**

**£0.352m**

**(2021/22 £0.653m)**
Insurance for items not covered by external insurance policies

**Capital Receipts Reserve**

**£1.465m**

**(2021/22 £1.238m)**
Capital receipts generally available to finance future capital expenditure

**Capital Grants & Receipts Unapplied Account**

**£1.097m**

**(2021/22 £1.719m)**
Capital receipts received (in-year), together with capital grants that have yet to be applied to meet capital expenditure

**Total Useable Reserves**

**£35.596m**

**(2021/22 £51.283m)**

**The Movement in Reserves Statement provides more detail on these reserves**

## General Fund Revenue Outturn 2022/23

General Fund Reserves are split between non-earmarked reserves (the level of funding available to Stirling Council to manage financial risks and unplanned expenditure) and earmarked reserves, which have been set aside for specific purposes (see note 12).

Actual outturns against budget for each of the Council's General Fund Service areas are as follows:

| | Budget 2022/23 £000 | Outturn 2022/23 £000 | Variance 2022/23 £000 |
|---|---|---|---|
| Chief Executive Office | 398 | 398 | - |
| Housing | 2,477 | 2,358 | (119) |
| People & Community Wellbeing | 11,336 | 11,039 | (297) |
| Customer Services & Performance | 9,132 | 9,225 | 93 |
| Children & Families | 11,707 | 11,429 | (278) |
| Schools & Learning | 104,333 | 102,870 | (1,463) |
| Balfron PFI & Schools PPP | 16,952 | 17,844 | 892 |
| Environment and Place | 19,526 | 20,841 | 1,315 |
| Infrastructure | 14,583 | 15,717 | 1,134 |
| Economic Development and Culture | 1,939 | 1,771 | (168) |
| City Region Deal | 244 | 244 | - |
| Finance | 4,210 | 4,210 | - |
| Governance | 2,523 | 2,527 | 4 |
| **Cost of Services** | **199,360** | **200,473** | **1,113** |
| Corporate Budgets | 4,319 | 7,418 | 3,099 |
| Government Grants & Non Domestic Rates | (197,393) | (197,383) | 10 |
| Council Tax Income | (54,940) | (54,651) | 289 |
| **Net Deficit for Year (excluding HSCP)** | **(48,654)** | **(44,143)** | **4,511** |

| | Budget 2022/23 £000 | Outturn 2022/23 £000 | Variance 2022/23 £000 |
|---|---|---|---|
| Clacks & Stirling Health & Social Care Partnership | 48,654 | 48,654 | - |
| **Net Deficit for Year (including HSCP)** | **-** | **4,511** | **4,511** |
| Uncommitted Reserves 1 April 2022 | (10,193) | (10,193) | - |
| Net Deficit for Year | - | 4,511 | 4,511 |
| **Uncommitted Reserves 31 March 2023** | **(10,193)** | **(5,682)** | **4,511** |

Services reported a net overspend of £1.113m with the more significant variances arising in the following Service areas:

- Schools & Learning reported a net underspend of £1.463m, with underspends in the areas of nursery fee income (£0.168m), Additional Support Needs (£0.495m) and Teacher staffing costs (£0.654m), being partly offset by an overspend in Facilities Management (£0.342m).
- The Balfron PFI/Schools PPP unitary charge payments were overspent by £0.892m as a result of significant inflationary increases impacting on the contracts.
- Within Environment and Place, Road Services reported an overspend of £0.933m, primarily from inflationary pressures related to fuel, construction materials and sub-contractors' prices, together with lower than anticipated income levels from capital projects. Waste Services reported an overspend of £0.459m primarily in relation to fuel, waste haulage and disposal costs, additional vehicle hire and fleet maintenance costs.
- Within Infrastructure, significant overspends of £0.976m were reported across energy budgets, with car parking budgets reporting reduced income levels of £0.350m.

Corporate areas of the budget reported a net overspend of £3.099m, which included a contribution to the Branshogle and Catter Burn bridge repairs (£0.195m), the transfer of funding to the Transformation Fund (£1.82m) and the unfunded element of the 2022/23 pay award (£2.227m). These costs were partly offset by a minor saving in the contributions to the Valuation Joint Board (£0.013m), a saving in compensatory added years' pension payments (£0.108m) and a saving from loan charges (£1.022m).

General Revenue Grant redeterminations resulted in a minor shortfall of £0.010m against original budget estimates, with Council Tax income reporting a shortfall of £0.289m against target as a result of the impact of higher than anticipated Council Tax exemption awards.

The Health & Social Care Partnership (HSCP) reported an underspend of £1.870m. However, in accordance with the terms of the HSCP Integration Scheme, any underspend is treated as monies owed to the HSCP, and is therefore reflected as a creditor within Stirling Council's Balance Sheet as at 31 March 2023. This results in a breakeven position for the Stirling Council element of the HSCP.

Uncommitted General Fund reserves at 31 March 2023 were £5.682m, being 2.3% of General Fund budget and therefore within the target range of 2% to 2.5% (£5m to £6.3m). In addition to uncommitted reserves, during 2022/23, earmarked reserves moved from £34.238m to £24.176m, representing a reduction of £10.062m. All earmarked reserves movements are outlined in note 12.

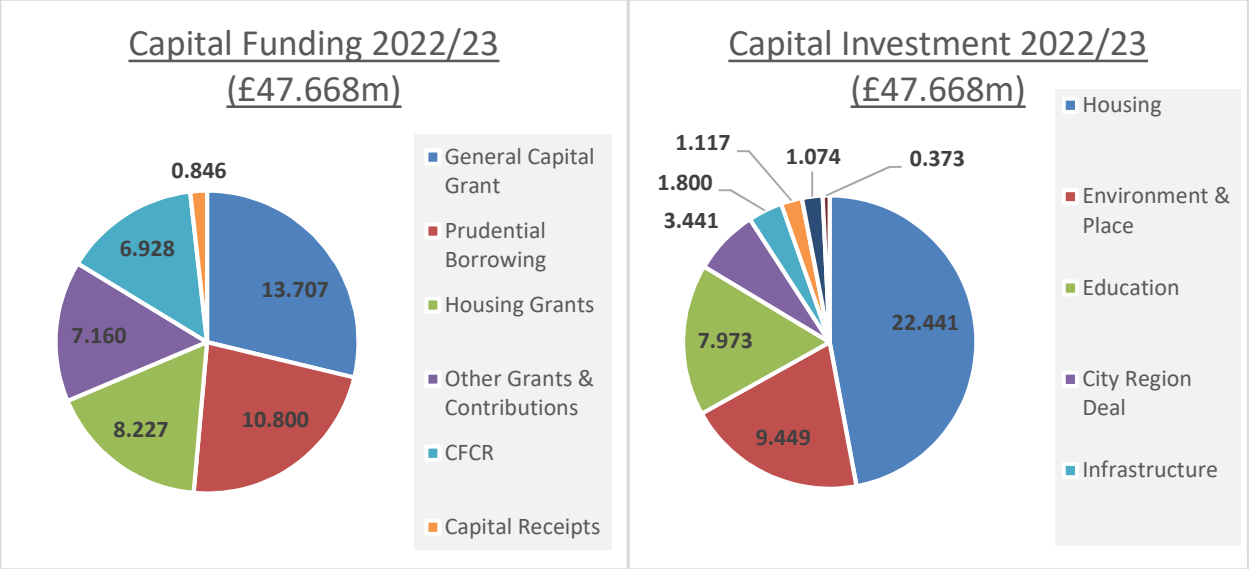
Overall, the movement in non-earmarked and earmarked General Fund reserves amounted to a net decrease of £14.573m for 2022/23. Taken together with other reserves' movements, overall usable reserves reduced by £15.687m as outlined in the Movement in Reserves Statement.

## Capital Outturn 2022/23

Capital expenditure represents money spent by the Council for buying, upgrading or improving assets such as buildings and roads. The difference between capital and revenue expenditure is that the Council receives the benefit from capital expenditure over a period exceeding one year.

| | |
|---|---|
| **£47.7m** | Actual capital expenditure incurred in 2022/23 |
| **£47.7m** | Actual capital funding identified in 2022/23 |
| **£16.6m** | Underspend due to expenditure not meeting the profile assumed in the capital programme. (Net position: General Services £20.1m underspend; HRA £3.5m overspend)<br>Further information is provided on Page 61 'Capital Commitments'. |

The following graphs provide further detail of capital funding (by source) and capital investment (by service area):




## Treasury Management and Investment

Stirling Council defines its Treasury Management activities as "the management of the Council's borrowing, investments and cash flows, it's banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The most recent Treasury Management Strategy was approved by the full Council on 2 March 2023. The Treasury Management Strategy links directly with the Council's Capital Strategy and incorporates capital investment plans, Treasury Management and loans fund activities and relevant prudential indicators. A mid-year Treasury Management Strategy update and annual Performance Review is also presented to a meeting of the full Council. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management function is to ensure that this cash flow is adequately planned, with cash being available when it is required.

The second aspect of the Treasury Management function is the funding of the Council's capital plans. These plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or the restructuring of existing debt.

In accordance with the approved strategy, Treasury Management activity during 2022/23 continued to maintain the Council's loan portfolio on a strong, low-risk, long-term basis with due consideration of budget requirements to minimise the cost of debt. Prudent cash-flow management with on-going short-term, operational, investment of surpluses together with the phasing of capital expenditure, favourable terms for temporary borrowing and the deferring on new long-term borrowing resulted in loans fund savings. For 2022/23, the loans fund pooled rate was 4.18% (3.32% in 2021/22) and resulted in savings against loans charges of £1.022m for General Services and £0.716m for Housing Revenue Account.

The Council's Treasury Management Strategy Statement for 2023/24 can be found on the Council's website at: Minutes and agendas | Stirling Council.

## Group Accounts

Stirling Council has a controlling interest in a number of companies and joint ventures, which were set up to promote partnerships between the public and private sectors. After consolidation, the Group Balance Sheet shows an increase in reserves and net assets (excluding minority interests) of £19.128m or 2.75% from those reported in Stirling Council's Balance Sheet (2021/22, increase of £5.349m, 1.2%). Details of the consolidated Group Accounts of Stirling Council can be found on pages 83 to 90.

## Financial Outlook and Key Financial Risks

Budget constraints and increasing cost pressures are putting Scotland's councils' finances under severe strain. The Budget report to the Council in March 2023 outlined the considerable financial challenges facing Stirling Council, along with wider Local Government. The Scottish Government published a Scottish Spending Review in May 2022 which forecast flat cash funding for local government to 2025/26 with an increase of £100 million in 2026/27. Despite the Scottish Spending Review, the Council currently has confirmation of Scottish Government funding for 2023/24 only. Overall, funding to councils in 2023/24 has increased in cash terms, however an increasing proportion of funding is ringfenced or directed for national policy priorities, which reduces the ability of councils to make decisions about how funds can be used at a local level.

As outlined by COSLA, the funding in the Local Government Finance Settlement ('LGFS') falls short of the amount required to protect local services and to erode the funding gap from many years of constrained settlements. COSLA estimated that councils needed £1billion extra in real terms to avoid harmful cuts. The Draft Scottish Budget and the LGFS confirmed that the overall revenue support grant cash movement for Councils from 2022/23 to 2023/24 is an increase of £155.5m, an increase of 1.27%. However, after removing ringfenced grant and new funding, both of which come with spending commitments, the core grant for Scottish local government has reduced by £48.5m or 0.42% from 2022/23.

Adding to this challenge of constrained funding, Scottish and UK economies continue to feel the impact of the Covid-19 pandemic and the cost of living crisis that has followed this period. The Russian invasion of Ukraine, the UK's exit from the EU and the lasting effects of Covid-19, saw inflation in the UK rise to levels not seen since the early eighties, with energy costs and food prices being impacted in particular.

The cost of materials, and particularly construction costs have risen rapidly, partly as a result of a reaction to the pent up demand through the pandemic that the construction industry is struggling to keep pace with. Labour and skills shortages in this industry are also having an impact on overall capacity. Supply chain issues have also been exacerbated globally following Russia's invasion of Ukraine.

Skills shortages are also an issue within Local Government. Recruitment and retention of key specialisms is becoming increasingly difficult as the ability of Local Government to afford pay awards that match inflation, and competition between Councils for scarce resources, makes it more likely that staff can move to other higher-paying employers or may choose to leave the public sector entirely.

For Stirling Council, the Local Government Grant settlement for 2023/24 (a single year settlement) reflects a cash increase of £2.0m or 0.95% in the general revenue grant compared to 2022/23, however once funds ringfenced for specific national policy initiatives are removed, this equates to an increase in core revenue funding of only £0.136m or 0.1%.

The 2023/24 budget was agreed by the Council on 2 March 2023. As a result of the above factors, a budget gap of £17.648m was closed to set a balanced budget. This included an element of business as usual savings totalling £4.995m, savings decisions taken by the Council of £1.491m and use of one-off reserves of £9.062m. The Council also decided to increase Council Tax by 7% to help close the gap.

Existing service and cost pressures arising from pay settlements, inflation, and demographic and socio-economic factors will continue to put pressure on the Council's finances, and as set out above, funding is unlikely to keep pace with financial demands. As noted previously, a Summary Budget Scenario covering the three year period 2023/24 to 2025/26 was presented to the Council in March 2023 showing an indicative budget gap of £12.679m for 2024/25 and work is underway to refine the Council's Medium Term Financial Plan.

As a result of the financial position, the focus for the Council is on the transformation and service redesign required in order for the Council to address these challenges in the short and medium term. This requires a clear long term vision and the Ten Year 'Thriving Stirling' Strategy provides a framework within which transformation can take place through co-design with Stirling's citizens and communities, supported by a rolling Three Year Business Plan and Strategic Workforce Plan.

However, further transformation and service redesign alone will not generate sufficient savings to balance the 2024/25 budget and to remain financially sustainable in the medium-term. Therefore, service reductions must be considered across the Council. A redress of service levels is required to ensure statutory and high priority services can be sufficiently funded in a challenging financial and economic environment. This work will continue across 2023/24.

In the face of these challenges, it remains critical that the Council continues to proactively invest in areas which will stimulate the local economy, improve the life of residents, enable the Council to reduce its running costs on an ongoing basis and support the Council and Stirling's ability to achieve Net Zero. The Council has agreed a capital programme of £55.910m in 2023/24, across public infrastructure, schools, council housing and supporting the Council's Accommodation Strategy. This will run alongside the Stirling and Clackmannanshire City Deal programme that is to be delivered during the course of the decade and which will be a key driver for economic development.

In September 2022, the Scottish Government published Finance Circular 10/2022 which allows councils to apply additional flexibility to accounting treatment for PFI/PPP service concession arrangements in place prior to 1 April 2022. The guidance applies from financial year 2022/23 but permits retrospective application as an option. Councils can apply the flexibility in either 2022/23 or 2023/24.

In practice, this allows councils to account for the financing of schools built using PFI (Balfron High) and PPP (Stirling, Wallace, Dunblane, McLaren, St Modan's and Raploch) over the life of the asset (judged at 50 years) rather than the life of the contract (fixed at 25 years). This 'service concession' has realised a one-off benefit of £27.358m in 2023/24, of which £3.712m was used as a one-off measure to help balance the 2023/24 budget. The use of this flexibility does not mean that the Council will be paying any additional money to the PPP/PFI contractors, and the schools will revert to full ownership of the council once the original contract terms have been fulfilled.

In order to support the Council over the short to medium-term, the remaining service concession benefit has been set aside in a number of earmarked reserves to help drive forward transformation projects, increase community empowerment and capacity, economic development and provide a reserve to manage risk around inflation and other financial pressures. In addition to that, £1m of this benefit will be transferred to the General Fund uncommitted reserve in 2023/24 to ensure that the Council remains within the target of 2% to 2.5% of annual expenditure levels, in line with the Council's financial strategy and in order to manage the ongoing risks around financial sustainability.

| | | |
|---|---|---|
| George Murphy<br>Finanace Service Manager<br>(Acting S.95 Officer) | Caroline Sinclair<br>Chief Executive | Cllr Chris Kane<br>Leader of the Council |

# Statement of Responsibilities

**The Authority's Responsibilities**

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Finance Service Manager (Acting S.95 Officer).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Audit Committee at its meeting on 29 August 2024. Signed on behalf of Stirling Council.

Cllr Chris Kane
Leader of the Council

**The Finance Service Manager's (Acting S.95 Officer) Responsibilities**

The Finance Service Manager (Acting S.95 Officer) is responsible for the preparation of the authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Annual Accounts, the Finance Service Manager (Acting S.95 Officer) has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with legislation.
- Complied with the Local Authority Accounting Code (in so far as it is compatible with legislation).

The Finance Service Manager (Acting S.95 Officer) has also:

- Kept adequate accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Local Authority and its group at the reporting date and the transactions of the Local Authority and its group for the year ended 31 March 2023.

George Murphy
Finance Service Manager (Acting S.95 Officer)

# Annual Governance Statement

**Scope of Responsibility**

Stirling Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council has a statutory duty, under the Local Government in Scotland Act 2003, to make arrangements to secure best value through continuous improvement in the performance of its functions. The Council has Schemes of Delegation and sub delegation which clearly define the powers and authority of Council, its Committees and senior officers. The Chief Officer – Governance is authorised to amend and update the Scheme of Delegation for subsequent consideration and approval by Council. The scheme of sub delegation is approved by the Chief Executive. Compliance with Schemes of Delegation is mandatory. The Chief Officer – Governance, in her role as Monitoring Officer, is responsible for preparing a report for Council if it appears to her that the Council, a Committee or any officer is likely to contravene the law or give rise to maladministration or injustice.

This Annual Governance Statement relates to the governance framework in place within the Council for the year ended 31 March 2023 and up to the date of signature of the Council's Annual Accounts for 2022-23.

The Council's Local Code of Corporate Governance (the Code) was approved by the Audit Committee in August 2022. The Code is consistent with the the best practice and good governance principles set out in the Delivering Good Governance in Local Government: Framework and related Guidance Notes for Scottish Authorities published in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). It also incorporates the requirements of CIPFA's Statement on The Role of the Chief Financial Officer in Local Government.

This Statement explains how the Council has complied with the Code and the Statement itself complies with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners 2022-23, which details the requirements for an Annual Governance Statement. The Statement also complies with the Delivering Good Governance in Local Government Framework and Guidance Notes and the Local Authority Accounts (Scotland) Regulations 2014, both of which require the Council to conduct an annual review of the effectiveness of its system of internal control, to consider and report the findings of that review and to approve an Annual Governance Statement signed by the Chief Executive and Council Leader.

**The Governance Framework**

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads its communities. This enables the Council to monitor achievement of the Strategic Priorities approved by Council in December 2022, supported by the 10-Year Strategy 2020-2030 'Thriving Stirling' and the Five-year Business Plan, and to consider whether those objectives have led to the delivery of value for money.

The Council's system of internal control is a significant part of the governance framework and is designed to manage risk to a tolerable level. Internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage those risks efficiently, effectively and economically.

The Council's governance framework is set out in the Local Code of Corporate Governance, to provide:

- an overview of the governance arrangements in operation within the Council;
- assurance that the Council's business is run lawfully, accountably and openly; and,
- a focus for the Council's self-assessment of its governance arrangements.

The Council maintains organisational and management structures to ensure it has the right capacity, competencies, behaviours and governance arrangements to address future opportunities and

challenges, with emphasis on: community planning and engagement; health and social care integration; strategic infrastructure delivery; meeting changing customer demands; and managing ongoing financial challenges.

The Council structure underpins a flexible service delivery approach based on priorities and outcomes. Decision-making and delegation arrangements and the organisational structure are kept under review to support the delivery of the Council's strategic priorities and objectives. The Council approved a senior management structure on 3 March 2022 and a democratic and decision-making structure on 19 May 2022. The Committees and Panels established by Council currently include:

- Community Wellbeing and Housing Committee
- Children and Young People Committee
- Environment, Transport and Net Zero Committee
- Finance, Economy and Corporate Support Committee
- Public Safety Committee
- Planning and Regulation Panel

The Council also has an Audit Committee, which is chaired by a member of the Opposition.

Council approved various amendments and revisions to the Standing Orders and to the Scheme of Delegation on 6 October, 8 December 2022 and on 9 March 2023. These included amendments to Committee titles, structures and remits. Council also approved revised Contract Standing Orders on 9 March 2023.

Senior management, decision-making and scrutiny arrangements are aligned with the Council's strategic priorities and provide an effective framework through which the Council can direct and control its activities and scrutinise its performance in delivering those priorities. Key elements of the Council's corporate governance framework include:

- the Stirling Plan 2017-2027 (Local Outcomes Improvement Plan) approved in February 2018 by the Community Planning Partnership Leadership Group. This is required by the Community Empowerment (Scotland) Act 2015 and sets out the shared objectives of the Council and its Community Planning Partners detailing their vision, strategic priorities and intended outcomes for the Stirling area, its citizens and service users;
- the 10-Year Strategy 2020-2030 ('Thriving Stirling'), approved by the Council in December 2020. This sets out a clear, long-term, vision and goals for the Council and provides a framework for planned, structured, agile and adaptable transformation that will focus resources on achieving the greatest impact and value for money for Stirling's communities, citizens and visitors, as well as the Council's staff and partners;
- a rolling five-year Business Plan that acts as a guide operationally and financially, helping the Council to prioritise resources, leadership and partnership activity to achieve the vision, goals and outcomes in the Stirling Plan 2017-2027 and in the 10-Year Strategy 2020-2030, 'Thriving Stirling', all of which are accessible on the Council's website;
- governance arrangements for Community Planning that include a Community Planning Partnership (CPP) Executive Board responsible for leading on the shared priorities and outcomes of CPP partners, under the Stirling Plan and supported by a Senior Officer Group representing each Partner;
- the budgeting process, which underpins the 10-Year Strategy 2020-2030, the Five-year Business Plan and the Strategic Workforce Plan. This enables the Council to manage future costs and service demands, aligning service delivery and transformation to address demands and deliver best value;
- formal arrangements for the delivery of strategic transformation programmes and corporate savings options and the delivery of related projects, governed by the Transformation Board, which has clear terms of reference;
- a framework for planning and performance management, based on an Outcomes Based Accountability approach, incorporating internal and public performance reporting, enabling the Council to monitor and report on performance in achieving the strategic priorities agreed by Council in December 2022. Performance reports include the Annual Report and Accounts and Performance and Strategic Priorities Progress Reports, which are published on the Council's website and in Council or Committee agenda papers, respectively;

- presentation of reports, including findings and recommendations, to the Corporate Management Team, Operational Governance Board, Audit Committee, Decision-Making Committees and Council by Internal Audit, External Audit and other inspectorates;
- Standing Orders, Schemes of Delegation and Sub-Delegation, Contract Standing Orders and Financial Regulations, which define the roles and responsibilities of Elected Members and officers and are subject to regular review;
- the overall responsibilities of:
  - the Chief Executive, as the Head of Paid Service, for all aspects of operational management;
  - the Finance Service Manager (Acting S.95 Officer) for keeping proper financial records, maintaining an effective system of internal financial control and ensuring appropriate advice is given to the Council on all financial matters;
  - the Chief Officer - Governance, as Monitoring Officer, for ensuring appropriate legal and other advice is given to the Council and for ensuring compliance with relevant legislation and procedures; and
  - the Audit Service Manager, for reviewing, appraising and reporting to management, the Audit Committee and the Council on the adequacy of internal control, risk management and corporate governance arrangements.
- an Audit Committee that provides the Council with independent assurance of the adequacy of the governance and risk management frameworks and the internal control environment, including through an Annual Report;
- a Risk Management Policy and related procedures that set out the responsibilities of Elected Members, the Audit Committee, management and staff in identifying and managing risks to the Council's strategic priorities;
- a Council-wide Strategic Risk Register and Operational Risk Registers, which identify risks and treatment actions and are regularly reviewed, updated and reported to the Audit Committee and the Operational Governance Board;
- Business Impact Assessment and Recovery Plans, setting out arrangements for service continuity in the event of an emergency or other disruption to critical services;
- the Council's Personal Growth & Development (PGD) process, which underpins objective setting for staff and management and supports the Council's strategic priorities through a range of shared behaviours;
- Elected Members' Registered Interests are declared on the Council website and a Register of Officers' Interests (for senior officers) is maintained and made available for public inspection;
- a Members' Remuneration and Expenses Scheme consistent with Scottish Government guidance and an Annual Statement of Members' Allowances & Expenses are published by the Council on its website, outlining the salary, allowances and expenses paid to each Elected Member;
- induction training on roles and responsibilities and ongoing development opportunities are provided for Elected Members;
- codes of conduct that set out the standards of behaviour expected from Elected Members and officers, including the Councillors' Code of Conduct and the Code of Conduct for the Council's employees;
- a Counter-Fraud Strategy that sets out the responsibilities of officers and Elected Members in relation to fraud and corruption, a Whistleblowing Policy and the Codes of Conduct;
- a Local Code of Practice on Following the Public Pound and Funding External Bodies and arrangements for appointments to Boards or management groups of group entities, to ensure proper accountability for Council funds used in the external delivery of services to meet strategic priorities and objectives; and
- a clear governance and reporting framework that provides for regular review and reporting to decision-making committees on the operation of Council ALEOs and other strategically-funded bodies.

**Review of Effectiveness**

In accordance with best practice set out in the Delivering Good Governance in Local Government Framework and the Local Authority Accounts (Scotland) Regulations 2014 the Council is responsible for conducting, at least once in each financial year, a review of the effectiveness of its governance framework, including the system of internal financial control. The review of the effectiveness of the Council governance framework is informed by:

- the work of the Corporate Management Team, which develops and maintains the governance environment;
- the work of Council managers and finance staff;
- the annual assurance statements on governance arrangements that are provided by senior managers;
- an annual review, by Internal Audit, of compliance with the Council's Local Code of Corporate Governance;
- the Audit Service Manager's annual report and Internal Audit reports across the range of Council services;
- reports from the Council's external auditor; and,
- reports from other external review bodies, agencies and inspectorates.

The annual review of effectiveness is supported by a process of self-assessment and assurance certification by senior managers. Senior managers were asked to identify progress on implementing improvement actions identified as part of their 2022-23 assessments and to identify actions they propose to take in 2023-24.

The Audit Service Manager considered the returns, certifications and improvement action plans from each Service and concluded that these did not highlight any issues of significance that would otherwise impact on the level of assurance over the effectiveness of the Council's overall governance framework. The self-assessment process enabled Services to identify planned improvements during 2023-24 to their Service-level governance framework, including:

- Children and Families will develop a 10-year Strategic Plan outlining the Council's longer-term approach to delivering the national 'Promise Plan' for children and young people. This will provide a framework for the Corporate Parenting Strategy and for delivering the key actions in the 'Stirling Promise Plan 2021-24';
- Environment and Place will implement changes to service delivery and structures on completion of the Short Life Working Group's review of Waste Services Transformation, seeking approval of the Environment, Transport and Net Zero Committee and of the Corporate Management Team for changes to service policy and operations, respectively;
- Transformation team will review the Terms of Reference and operation of the Governance Boards for transformational projects (Stirling's Future Board, Stirling Transformation Board and the Capital Delivery Board) and how these align to Committee governance arrangements. Project and financial 'trackers' will also be developed to help the Boards prioritise delivery of key projects and ensure the Council has the capacity and capability to continue to deliver 'Business As Usual' activities alongside transformational change;
- People and Community Wellbeing will review and develop revised policies, procedures and guidance for both job design and recruitment in consultation with Trade Unions and will seek the approval of the Finance, Economy and Corporate Support Committee for any revised policies brought forward; and
- Governance will implement electronic systems for legal case management and democratic management. These will support improved efficiency and effectiveness in the management and delivery of legal support services and in the management and administration of Council and Committee meetings. This will include agenda papers, minutes and the public accessibility of the Council's democratic processes and information.

Internal Audit performed an annual review on the existence, appropriateness and application of key elements of the Council's Local Code of Corporate Governance during the year to 31 March 2023, concluding that:

- the Code is consistent with CIPFA and SOLACE guidance on the Delivering Good Governance in Local Government Framework and with the International Framework of Good Governance in the Public Sector; and
- the key governance arrangements and controls are clearly set out in the Code and there is sufficient, clear, reliable and objective evidence to provide assurance that these exist and are being applied in practice.

In order to comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners 2022-23, this Statement incorporates assurance on the governance arrangements and systems of internal financial control within the consolidated group entities of the Council. The review of the effectiveness of those arrangements is informed by, where appropriate, their Annual Governance Statements, the opinions of their external auditors and work undertaken by relevant internal auditors.

**Roles and Responsibilities of the Audit Committee and the Audit Service Manager**

The Audit Committee is chaired by a member of the opposition and operates in accordance with CIPFA's Audit Committee Principles in Local Authorities in Scotland and Audit Committees: Practical Guidance for Local Authorities. As per the Council's Scheme of Delegation its role includes:

- to review internal and external audit reports and the main issues arising and to seek assurance that action has been taken where necessary;
- to receive and consider the Audit Service Manager's annual report, summarising Internal Audit activity and the level of assurance this provides over the arrangements for risk management, governance and internal control within the Council;
- to satisfy itself that the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- to maintain an overview of the Council's Local Code of Corporate Governance; and
- to review the Annual Accounts and to consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

The Council's Audit Service Manager has the responsibilities of the 'Head of Internal Audit', as defined in the CIPFA Statement on the Role of the Head of Internal Audit and of the 'Chief Audit Executive', as defined in the Public Sector Internal Audit Standards (PSIAS). As required by PSIAS, the Audit Service Manager prepares an annual Internal Audit Plan and undertakes a programme of Internal Audit reviews, which take account of the risks identified in the Council's risk registers and Internal Audit's own assessment of risk.

The Audit Committee has delegated authority to approve the annual Internal Audit Plan and programme of work and regularly monitors the performance of Internal Audit. The Audit Service Manager provides an annual report to the Audit Committee containing an independent opinion on the adequacy and effectiveness of the Council's risk management, internal control and corporate governance arrangements.

Internal Audit reports are provided to Elected Members, to management and to the appointed external auditor. The reports include improvement recommendations and agreed action plans to address these. Management is responsible for responding to those reports and ensuring that appropriate action is taken. Progress made and significant matters, including any non-compliance with agreed actions from Internal Audit work, are reported to the Audit Committee.

**Compliance with Best Practice**

During 2022-23 the Council continued to develop and operate financial governance arrangements that enable it to meet the best practice requirements set out in the CIPFA Financial Management Code (the 'FM Code'). The Finance Service Manager (Acting S.95 Officer), the Audit Service Manager and respective

staff also developed and undertook a self-assessment framework, based on the FM Code requirements, to assess and provide evidence of compliance and to identify any improvements that will, where necessary, be addressed by planned action to maintain the Council's continued compliance with the FM Code.

The Council complies with the requirements of CIPFA's statement on The Role of the Chief Financial Officer in Local Government. The Finance Service Manager (Acting S.95 Officer) has overall responsibility for the Council's financial arrangements and is professionally qualified and suitably experienced to lead the Council's finance function and staff.

The Council complies with the requirements of CIPFA's statement on The Role of the Head of Internal Audit in Public Service Organisations. The Audit Service Manager has responsibility for the Council's Internal Audit service and is professionally qualified and suitably experienced to lead and direct the Internal Audit team.

The Council's Internal Audit service operates in accordance with the Public Sector Internal Audit Standards, published in 2017 (the Standards). This was verified by an independent, 5-yearly, external quality assessment undertaken in December 2022 and January 2023.The assessment and report were submitted to the Audit Committee in March 2023 and concluded that Council's Internal Audit team fully complies with the Standards.

The Council complies with the requirements of CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption. The Audit Service Manager has responsibility for the Council's Corporate Fraud service. The Audit Service Manager is suitably experienced to lead and direct the Corporate Fraud team, comprising professionally qualified Counter Fraud Officers, in line with the Council's Counter Fraud Strategy which was updated in September 2021.

**Best Value Assurance**

The Accounts Commission published its Best Value Assurance Report for the Council in April 2019 following review work performed by Audit Scotland. The report highlighted key challenges for the Council including cumulative savings required over a 5-year period and made ten recommendations for improvement, including in relation to: public performance reporting against priorities; use of benchmarking to improve service delivery; and leadership in demonstrating a systematic approach to self-evaluation and delivering improvement.

In June 2019 the Council considered the Best Value Assurance Report and an Improvement Action Plan developed by Officers. Since then, both Council and the Operational Governance Board (OGB) have continued to receive progress reports from Officers on the implementation of agreed improvement actions. The most recent BVAR update report was submitted to the OGB in March 2023. Seven agreed improvement actions have been fully completed and three are significantly advanced towards full completion.

Work will continue during 2023 on key deliverables that will contribute towards completion of those remaining improvement actions. Those deliverables include: a new Customer Service Strategy, being developed collaboratively with service users; and the configuration of the Council's new ERP system to support significantly improved staff communication and engagement, through guided learning, helpdesk and staff feedback functionality.

**Significant Governance Issues: Further Progress and Planned Actions**

The Audit Service Manager's overall opinion on the Council's arrangements for risk management, governance and control is included within the Internal Audit Annual Assurance Report for 2022-23. In that report the Audit Service Manager concludes that substantial assurance can be provided on arrangements in place during the year to 31 March 2023. Any significant findings arising in the period between 1 April 2023 and the date of signing of this Statement are set out in the Audit Service Manager's update reports submitted to the Audit Committee.

The Audit Committee approved the programme of Internal Audit work undertaken for 2022-23 (the Plan), on which that opinion is based, in August 2022. In approving the Plan, the Audit Committee noted that the Internal Audit team had provided, since September 2021, an Internal Auditor on secondment to

the Enterprise Resource Planning project, as part of the Council's Transformation Programme. A wider review of resourcing across the Governance Service, however, enabled an additional, full-time Senior Auditor to take up post in June 2022.

The assurance opinion above is provided on the basis of a substantively completed Internal Audit Plan, as in previous years, with only a small number of audit reviews carried forward to completion in 2023/24. The majority of audit reports issued in 2023 provided at least a 'substantial assurance' opinion on the area reviewed. However, only 'limited assurance' could be provided for specific control issues identified from internal audit reviews of building security, capital planning, water quality management, fuel storage and use, and payroll (payment of overtime).

The nature and impact of any significant changes to the internal control, governance and risk management arrangements continue to be monitored and considered and any relevant issues are included within this Statement, at the date of signature. They will also be monitored and considered through Internal Audit work and reported, as necessary, in the Annual Governance Statement for 2023-24.

The Council and its group entities work to address matters identified during audits and other inspections. Subject to any issues noted in this Statement, monitoring of progress with agreed improvement actions included in the previous Annual Governance Statement Improvement Action Plan has identified that:

- **Enterprise Resource Planning (ERP) System:** work continued during 2022/23 on the implementation of the ERP system, 'MyPortal'. Progress was made on the initial design and build of ERP system components, on specific systems integrations and key-user training. However, challenges have arisen with some aspects of systems' integration testing, data migration activity and end-user training. These have impacted the planned 'go live' date of April 2023. Significant work is underway to plan and resource the actions necessary to address these challenges and to determine a revised 'go live' date for approval by senior management;
- **Transformation Programme:** during 2022/23 Council approved developments in relation to 'people' and 'property' consistent with the Transformation Programme and 'New Ways of Working' work-stream. These included: an operational group created by the Chief Executive with oversight of workforce planning and responsibility to approve future service redesign and restructuring; revisions and updates to HR policies and practices for staff recruitment, staff development and retention and job evaluation; and a Strategic Business Case for Corporate Accommodation, leading into further work and a subsequent report to be prepared focused on improvement and rationalisation of the Council's existing estate. Council is expected to receive and consider that further report in February 2024;
- **Food Standards Capacity and Capability Audit:** in February 2023 Food Standards Scotland (FSS) confirmed to the Chief Executive that it was satisfied the improvement actions agreed with the Council in the FSS report: 'Stirling Council - Capacity and Capability Audit' had been implemented or suitably progressed. In February 2023, the Council's Head of Infrastructure submitted to the Environment, Transport and Net Zero Committee an updated 'Food Safety Service Plan', which addressed the recommendations in the FSS report. In March 2023, the Council's Audit Service Manager also issued a report that provided further, independent and substantial assurance that the Food Standards team had addressed those agreed improvement actions;
- **City Centre Strategy & Action Plan 2022-23:** in November 2022 Stirling became the first fully 'Augmented Reality' city in the world with the launch of the Stirling XP App. The App transforms visitors' experience of Stirling by allowing them to explore the city through their smartphone screen, with interactive information, graphics, 3D models of the city and its attractions. Separately, a further five-year term was also secured for the Stirling Business Improvement District (BID) for September 2022 to August 2027. The BID has a five-year plan of priorities and investment proposals, and officers will report progress on those to the Finance, Economy and Corporate Support Committee; and
- **Re-establishment of Area Forums:** an Area Forum Officer was appointed in October 2022, responsible for leading on the re-establishment of Area Forums. In late 2022, interested parties and community stakeholders were consulted to ensure that any future arrangements meet the

requirements of each area. Interviews, community events and online questionnaires informed the process and meetings were held with Community Councils, Development Trusts and representative community and youth groups. In March 2023, the officer brought together the various parties to consider proposed models and the resources needed for sustainable Area Forums. Work is ongoing with five newly-formed Area Forums and a further two are in the early stages of development.

The following table sets out some examples of planned developments in the Council's corporate governance framework and related actions which will be undertaken or progressed further during 2023-24. These have, generally, been the subject of reports to Council or Committees on proposals to extend or improve the effectiveness of the Council's governance arrangements.

| | **Area of Governance** (SR = Strategic Risk) | **Source** | **Actions Planned in 2023-24** |
|---|---|---|---|
| **1.** | **Transformation: Enterprise Resource Planning (ERP) System** (SR – failure to implement Enterprise Resource Planning system to project plan and budget.) | Stirling Council | Work will continue on implementation of the Council's new ERP software system, with a revised 'go live' date being scheduled in 2023. The project is being delivered by an internal project team, the contracted software supplier and an integration partner.<br>Key elements of the project to be completed are: systems' design and systems' integration testing, data migration activity and end-user training. Work is underway to plan and resource the actions necessary to achieve these key deliverables. |
| **2.** | **Transformation: Workforce Planning and Accommodation** (SR – failure to plan and progress the transformational change required.) (SR - inadequate workforce planning arrangements.) | Stirling Council | In December 2022 Council approved a Corporate Accommodation Strategy to ensure the Council would realise the ambitions of the Thriving Stirling Strategy. This would also support the Council's Transformation Programme and New Ways of Working work-stream.<br>In May 2023 Council approved a Strategic Outline Business Case for the Corporate Accommodation Plan.<br>In October 2023 Council approved further review work on the Corporate Accommodation Strategy, with a view to improving and rationalising the Council's existing estate, and agreed to receive a further report for consideration by the end of February 2024. |
| **3.** | **Strategic Priorities and Performance Management Reporting** | Stirling Council | In December 2022 Council approved its Strategic Priorities for 2022-27. Council noted that an Outcome Based Accountability (OBA) approach would be adopted to deliver these and that revised KPIs would be developed and reported to relevant Committees.<br>Action will continue during 2023-24 to finalise an appropriate range of KPIs for the Strategic Priorities, which will underpin the OBA approach. KPI's will be approved by each relevant Committee to reflect its specific remit for scrutiny of performance. In addition, work will be progressed to incorporate the OBA approach and KPIs into a new 3-Year Business Plan for approval by Council by the end of 2023. |

| | **Area of Governance** (SR = Strategic Risk) | **Source** | **Actions Planned in 2023-24** |
|---|---|---|---|
| **4.** | **Community Wealth Building'** (SR – increasing cost of living: impact on communities.) | Stirling Council Community Wellbeing and Housing | In June 2022 Council agreed to establish a short-life working group (SLWG) to identify the Council's priorities for community wealth building (CWB) and to develop a strategy and action plan to deliver those. Council agreed the CWB Action Plan in March 2023.<br>Action will continue during 2023-24 to deliver the detailed CWB actions across the five emerging themes of: 'capacity building', 'promoting local wealth', 'employability and career pathways', 'raising CWB profile' and 'transforming community-facing services'. Updates on the CWB Action Plan will be reported to the Community Wellbeing and Housing Committee, as recommended by the SLWG. |
| **5.** | **Local Housing Strategy and Strategic Housing Investment Plan** (SR – failure to meet the needs of those households threatened with homelessness.) | Community Wellbeing and Housing | In November 2022 the Community Wellbeing and Housing Committee approved the Council's Strategic Housing Investment Plan 2023-24 to 2027-28 (SHIP). The SHIP sets out the Council's key strategic investment priorities in developing affordable housing and attracts investment from the Scottish Government.<br>Action will continue during 2023-24 to finalise the Council's new, consultative draft Local Housing Strategy (LHS) for Committee approval. This will align with the SHIP and the Housing Demands and Needs Assessment. The new LHS will consider relevant housing issues, including: access and affordability, quality and condition, homelessness and strengthening communities. |

**Significant Governance Issues: COVID-19 Response, Recovery and Renewal**

This Annual Governance Statement (the Statement) includes information below on the actions the Council has taken, including during 2022-23, to support recovery and renewal from the impacts of the Covid-19 pandemic. The information reflects guidance issued in April 2020 by CIPFA on reporting the impacts of Covid-19 on the Council's operation and governance within the Statement, supplementing the disclosures made in 2021-22.

<u>Covid-19 Recovery Plan</u>

Council approved its Covid-19 Recovery Plan (the Plan) on 24 June 2021. The Plan set out the Council's 14 priority areas for recovery in the short, medium and longer term, with 58 specific recovery and renewal actions.

The Plan was initially managed through a Recovery Operational Group established by the Chief Executive.

From April 2021 onwards the Council's Transformation Programme and its Vital Few projects were further developed and the Plan was incorporated into the programme of Vital Few projects. The Chief Operating Officer – Communities and Performance appointed a Covid-19 Recovery Manager with delegated responsibility to co-ordinate and deliver the Plan and to report progress to the Council's Transformation Board for operational management and scrutiny of the Plan as an integral part of the Vital Few programme.

In 2021 the Council moved actively into the recovery and renewal phase of its management of Covid-19 and since then has worked with local communities and with partners across the public, private, health and voluntary sectors to address the priority areas and the specific actions set out in the Plan.

Governance and Scrutiny

Governance arrangements, scrutiny of progress with implementing the Plan and the application and use of the various sources of Covid-19 funding available to the Council (including Council funding, government grants and monies held as earmarked reserves) have been enabled through the provision of regular progress and update reports to the Transformation Board, to Council and to the Finance, Economy and Corporate Support Committee since 2021.

Summary of Progress and Further Developments

By October 2022 the Covid-19 Recovery Manager was able to report to the Transformation Board the completion of 36 short and medium term actions. These related to all 14 priority areas, including actions to:

- promote physical and mental health and well-being;
- invest in regeneration and a sustainable future;
- maintain resilient and sustainable services;
- achieve education recovery for children and young people; and
- provide business and sector support for recovery and growth.

A further 11 actions had also been progressed. Due to their specific nature they were considered appropriate to transfer from the Plan to the delegated responsibility and remits of other working groups established by Council, reporting to the relevant Committee or Council as required. Two of those groups, where work continues to be undertaken and reported, are the Cost of Living Member-Officer Group and the Community Wealth Building Short-Life Working Group. Both Groups were established by decisions of Council in June 2022.

The Cost of Living Member-Officer Group is taking forward work to review and consider the provision of money, debt and benefits advice, to reflect the significantly increased demand brought on by Covid-19.

The Community Wealth Building Short-Life Working Group is taking forward work to implement Locality Action Plans within a Community Wealth Building approach, taking account of the impacts of Covid-19.

The work of these Groups and future Council Business Plans and Service Plans will also be informed by the results of a detailed Covid-19 Recovery Community Consultation and Conversation undertaken by the Covid-19 Recovery Manager during 2022.

This provided insights across four key themes: education, mental health, social isolation and the cost of living. The results of the consultation were reported to the Transformation Board in October 2022 and subsequently shared with the Cost of Living Member-Officer Group and the Community Wealth Building Short-Life Working Group to inform their continuing work.

Relevant reports related to the Council's Covid-19 Recovery Plan on the related financial implications and on the Cost of Living Member-Officer Group and the Community Wealth Building Short-Life Working Group are available at: Stirling Council - Minutes Search

**Conclusion**

This Annual Governance Statement summarises, openly and transparently, the governance arrangements established and operated by Stirling Council for 2022-23 and the period to date, including information on Covid-19 recovery and renewal and its effects on the Council in terms of its operation and governance.

As Leader of the Council and Chief Executive, we have been advised on the implications of the review of the effectiveness of the governance framework and that the Council's arrangements continue to be regarded as fit for purpose. It is our opinion that reasonable assurance can be placed on the adequacy and effectiveness of the systems of governance operated by the Council and its Group.

The annual review of effectiveness identifies sufficient evidence that the Council's Local Code of Corporate Governance operates effectively and that the Council and its Group will continue to take steps, in the coming year, to address the above matters to further enhance governance arrangements. We are satisfied that these steps will address the need for improvements that have been identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Caroline Sinclair
Chief Executive

Cllr Chris Kane
Leader of the Council

# Remuneration Report

**Introduction**

The Remuneration Report has been prepared in accordance with the requirements of the Local Authority Accounts (Scotland) Regulations 2014 (SSI No. 2014/200) and the guidance issued by the Scottish Government (Scottish Government Finance Circulars 8/2011 and 7/2014). The Regulations require various disclosures about the remuneration and pension benefits of Senior Councillors and Senior Employees.

For completeness, the disclosure requirements for the totals of elected members' salaries, allowances and expenses and for the number of officers whose remuneration in the year was greater or equal to £50,000 grouped in bands of £5,000 have been included in separate tables within this report. All information disclosed in the tables within this Remuneration Report is audited by Stirling Council's appointed auditor Deloitte LLP. With the exception of the Trade Union Regulations disclosure, all other sections of the Remuneration Report are reviewed by Deloitte LLP to ensure that they are consistent with the financial statements.

All salaries and wages earned up to 31 March 2023 are included in the Accounts irrespective of when payment was made. An accrual is made for the cost of holiday entitlements earned by employees not taken before the year-end, but which employees may carry forward into the next financial year.

**Remuneration of Council Leader, Provost and Senior Councillors**

The Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended by SSI No. 2022/18 regulates the remuneration of Councillors. The Regulations provide for the grading of councillors as either the Leader of the Council, the Provost, Senior Councillors or Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in Stirling Council's political management structure.

For 2022/23 Stirling Council's Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses set the levels of payment in accordance with the Regulations as follows:

- Leader of Stirling Council - maximum salary £32,622 (2021/22, £31,010)
- Provost - maximum salary £24,467 (2021/22, £22,257). Stirling Council is permitted to remunerate one Provost.
- Senior Councillor - maximum salary is 75 percent of total yearly amount payable to the Leader of the Council - £24,467 (2021/22, £23,257).

Stirling Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. As at 31 March 2023, Stirling Council has 8 Senior Councillors (31 March 2022, 7 Senior Councillors).

The Regulations also permit Stirling Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

The most recent Local Government elections took place on 5 May 2022. The total remuneration of those senior elected officials who were in office up to and following the date of the Local Government elections are shown in the table below:

| Elected Member | Office held to 4 May 2022 | Office held from 5 May 2022 | Salary £ | Exps £ | Total 2021/22 £ | Salary £ | Exps £ | Total 2022/23 £ |
|---|---|---|---|---|---|---|---|---|
| S Farmer | Council Leader | Senior Councillor | 30,956 | - | **30,956** | 25,073 | 157 | **25,230** |
| C Simpson | Provost | None | 23,217 | - | **23,217** | 2,346 | - | **2,346** |
| C Kane | Senior Councillor | Council Leader | 23,217 | - | **23,217** | 32,459 | 165 | **32,624** |
| J Thomson | Senior Councillor | Councillor | 23,217 | - | **23,217** | 20,040 | - | **20,040** |
| M Brisley | Senior Councillor | Senior Councillor | 23,217 | - | **23,217** | 25,192 | - | **25,192** |
| A Laurie | Senior Councillor | None | 23,217 | - | **23,217** | 2,346 | - | **2,346** |
| A MacPherson | Senior Councillor | Councillor | 23,217 | - | **23,217** | 20,040 | - | **20,040** |
| M Earl | Senior Councillor (from 24/06/21 - Full Year Salary Equivalent 21/22 £23,217) | Councillor | 17,874 | 728 | **18,602** | 20,040 | 2,798 | **22,838** |
| N Benny | Councillor | Senior Councillor | 19,830 | - | **19,830** | 23,822 | - | **23,822** |
| D Gibson | Senior Councillor | Senior Councillor | 18,572 | - | **18,572** | 19,571 | - | **19,571** |
| D Dodds | Councillor | Provost | 18,572 | - | **18,572** | 23,822 | 1,078 | **24,900** |
| B Flannagan | Councillor | Senior Councillor | 18,572 | - | **18,572** | 23,822 | - | **23,822** |
| R Fraser | None | Senior Councillor | n/a | n/a | **n/a** | 21,946 | 228 | **22,174** |
| J Preston | None | Senior Councillor | n/a | n/a | **n/a** | 21,946 | - | **21,946** |
| R Nunn | None | Senior Councillor | n/a | n/a | **n/a** | 21,946 | - | **21,946** |

Councillor E Dillon relinquished his role as Vice Convener of the Children and Young People Committee from 6 October 2022, being replaced by Councillor M Brisley. Councillor Dillon's salary as a Senior Councillor up to and including 6 October 2022 was £10,241 (full year salary equivalent £21,946).

**Total Councillors' Remuneration**

In 2022/23, the total remuneration of all Stirling Council's elected members (including Senior Councillors above) was £490,683, of which £479,372 related to salaries and £11,311 to expenses. The comparative figure for 2021/22 was £471,983 (£470,548 salaries and £1,435 expenses respectively).

The annual return of Councillors' salaries and expenses for 2022/23 is available on Stirling Council's website at: https://www.stirling.gov.uk/council-and-committees/politicians-and-elections/councillors-allowances-and-expenses/

**Pension Entitlements of Council Leader, Provost and Senior Councillors**

The pension entitlements of the Council Leader, Provost and Senior Councillors are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension for the period in question.

| | | Pension Contributions | | Accrued Pension Benefits | | | |
|---|---|---|---|---|---|---|---|
| Elected Member | Office held as at 31 March 2023 | For Year to 31 March 2022 | For Year to 31 March 2023 | As at 31 March 2023 | | As at 31 March 2022 | |
| | | £ | £ | Pension £ | Lump Sum £ | Pension £ | Lump Sum £ |
| S Farmer | Senior Councillor | 6,965 | 5,705 | 9,000 | 2,000 | 8,000 | 2,000 |
| C Kane | Council Leader | 5,224 | 6,968 | 3,000 | - | 2,000 | - |
| M Earl | Senior Councillor | 4,022 | 4,545 | 6,000 | - | 5,000 | - |
| N Benny | Senior Councillor | 4,853 | 5,303 | 5,000 | - | 4,000 | - |
| D Gibson | Senior Councillor | 4,179 | 4,394 | 5,000 | - | 4,000 | - |
| B Flannagan | Senior Councillor | 4,359 | 5,303 | 3,000 | - | 2,000 | - |
| R Fraser | Senior Councillor | n/a | 4,701 | - | - | - | - |
| J Preston | Senior Councillor | n/a | 4,701 | - | - | - | - |
| R Nunn | Senior Councillor | n/a | 4,701 | - | - | - | - |

**Remuneration of Senior Employees**

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Stirling Council sets the remuneration levels for senior employees. Its role is to ensure the application and implementation of fair and equitable systems for pay and for performance management within the guidelines of and as determined by, the Scottish Ministers and the Scottish Government. In reaching its decisions, Stirling Council has regard to the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities, the Council's policies for the improvement of the delivery of local public services and the funds available to the Council.

Only one of the following requirements needs to be met for an employee to meet the definition of being a Senior Employee:

- Has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority (including activities involving the expenditure of money) during the year to which the Report relates, whether solely or collectively with other persons; or
- Holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Annual remuneration including any remuneration from a local authority subsidiary body is £150,000 or more.

The total remuneration of Stirling Council's senior employees is as follows:

| Senior Employee | Salary 2021/22 £ | Expenses 2021/22 £ | **Total Remuneration 2021/22 £** | Salary 2022/23 £ | Expenses 2022/23 £ | **Total Remuneration 2022/23 £** |
|---|---|---|---|---|---|---|
| C Beattie: Chief Executive | 119,511 | - | **119,511** | 126,723 | 125 | **126,848** |
| B Roberts: Chief Operating Officer - Infrastructure & Environment | 91,992 | - | **91,992** | 97,258 | - | **97,258** |
| I McKnight: Chief Operating Officer - Communities and Performance | 91,992 | - | **91,992** | 97,258 | - | **97,258** |
| M Valente: Head of Children & Families Chief Social Work Officer | 89,131 | - | **89,131** | 93,222 | - | **93,222** |
| B Monaghan: Head of Education Chief Education Officer | 86,347 | - | **86,347** | 90,441 | - | **90,441** |
| K Stanners: Chief Officer Finance (from 3 October 2022, Full Year Salary Equivalent £93,413) | n/a | n/a | **n/a** | 42,295 | - | **42,295** |
| J McAfee: Chief Officer Governance | 79,005 | - | **79,005** | 90,441 | - | **90,441** |
| K Hudson: Head of People & Community Wellbeing (from 4 April 2022, Full Year Salary Equivalent £80,406) | n/a | n/a | **n/a** | 75,363 | 59 | **75,422** |

| Senior Employee | Salary 2021/22 £ | Expenses 2021/22 £ | **Total Remuneration 2021/22 £** | Salary 2022/23 £ | Expenses 2022/23 £ | **Total Remuneration 2022/23 £** |
|---|---|---|---|---|---|---|
| L Hay: Head of Customer Service & Performance (from 7 November 2022, Full Year Salary Equivalent £82,836) | n/a | n/a | **n/a** | 29,225 | - | **29,225** |
| D Leslie: Head of Infrastructure | 77,086 | - | **77,086** | 81,618 | - | **81,618** |
| D Reid: Head of Environment & Place (from 4 July 2022, Full Year Salary Equivalent £80,406) | n/a | n/a | **n/a** | 55,593 | - | **55,593** |
| S Clark: Chief Officer Housing | 76,903 | - | **76,903** | 81,618 | - | **81,618** |
| G Murphy: Finance Service Manager (Acting S.95 Officer) (from 20 December 2021 to 31 October 2022) (Full Year Salary Equivalent 21/22 £86,311, 22/23 £90,627) | 19,983 | - | **19,983** | 50,348 | - | **50,348** |

The remuneration details of those senior employees who left the employment of the Council during 2022/23 are as follows:

| | Salary 2021/22 £ | **Total Remuneration 2021/22 £** | Salary 2022/23 £ | Severance Costs £ | **Total Remuneration 2022/23 £** |
|---|---|---|---|---|---|
| S Oliver: Head of Economic Development & Culture (from 1 April 2022 to 31 December 2022) (Full Year Salary Equivalent £81,741) | 79,046 | **79,046** | 64,699 | 64,325 | **129,024** |

In addition to remuneration received from Stirling Council, the following senior employees received fees in respect of elections held during 2021/22 and 2022/23.

| | **2021/22 (£)** | **2022/23 (£)** |
|---|---|---|
| C Beattie | 1,750 | 2,300 |
| J McAfee | 1,750 | 1,300 |
| G Murphy | 650 | 1,300 |
| B Roberts | 120 | - |
| S Oliver | 100 | 100 |
| S Clark | 100 | - |
| D Leslie | 40 | 56 |

**Pension Entitlements of Senior Employees**

The pension entitlements of Senior Employees are shown in the table below, together with contributions made by Stirling Council to each Senior Employee's pension. All are members of the Local Government Pension Scheme (LGPS).

| | **In-Year Pension Contributions** | | **Accrued Pension Benefits** | | | |
|---|---|---|---|---|---|---|
| **Senior Employee** | **For Year to 31 March 2022 £** | **For Year to 31 March 2023 £** | **As at 31 March 2023** Pension £ | Lump Sum £ | **Difference from 31 March 2022** Pension £ | Lump Sum £ |
| C Beattie: Chief Executive | 26,890 | 28,513 | 20,000 | - | 4,000 | - |
| B Roberts: Chief Operating Officer - Infrastructure & Environment | 20,698 | 21,883 | 44,000 | 57,000 | 5,000 | 3,000 |
| I McKnight: Chief Operating Officer - Communities & Performance | 20,698 | 21,883 | 25,000 | 3,000 | 4,000 | - |
| B Monaghan: Head of Education Chief Education Officer | 19,428 | 20,349 | 4,000 | - | 2,000 | - |
| M Valente: Head of Children & Families Chief Social Work Officer | 20,054 | 20,975 | 77,000 | - | 6,000 | - |
| Kirsty Stanners: Chief Officer Finance* | n/a | 9,516 | 21,000 | 16,000 | 21,000 | 16,000 |
| J McAfee: Chief Officer Governance | 17,776 | 20,349 | 7,000 | - | 2,000 | - |
| K Hudson: Head of People & Community Wellbeing | n/a | 16,957 | 2,000 | - | 2,000 | - |
| L Hay: Head of Customer Service & Performance | n/a | 6,576 | 1,000 | - | 1,000 | - |
| D Leslie: Head of Infrastructure | 17,344 | 18,364 | 26,000 | 17,000 | 3,000 | 1,000 |
| D Reid: Head of Environment & Place | n/a | 12,509 | 1,000 | - | 1,000 | - |
| S Clark: Chief Officer Housing | 17,303 | 18,364 | 22,000 | 15,000 | 1,000 | 1,000 |
| G Murphy: Finance Service Manager (Acting S.95 Officer) | 4,496 | 11,328 | 43,000 | 73,000 | 9,000 | 15,000 |

* Accrued pension benefits for K Stanners include a transfer of pension rights from a previous public sector employer.

The pension entitlements of those senior employees who left the employment of the Council during 2022/23 are as follows:

| | In-Year Pension Contributions | | Accrued Pension Benefits | | | |
|---|---|---|---|---|---|---|
| | For Year to 31 March 2022 | For Year to 31 March 2023 | As at 31 March 2023 | | Difference from 31 March 2022 | |
| | £ | £ | Pension £ | Lump Sum £ | Pension £ | Lump Sum £ |
| S Oliver: Head of Economic Development & Culture | 17,785 | 12,684 | 7,000 | - | 2,000 | - |

**Pension Scheme Contribution Rates**

From 1 April 2009 a tiered pension contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. The respective tiers and contribution rates paid by pension scheme members towards their pensions are as follows:

| Whole time pay | Range 2021/22 | Rate 2021/22 | Range 2022/23 | Rate 2022/23 |
|---|---|---|---|---|
| On earnings up to and including | £22,300 | 5.5% | £23,000 | 5.5% |
| On earnings above | £22,301 and up to £27,300 | 7.25% | £23,001 and up to £28,100 | 7.25% |
| On earnings above | £27,301 and up to £37,400 | 8.5% | £28,101 and up to £38,600 | 8.5% |
| On earnings above | £37,401 and up to £49,900 | 9.5% | £38,601 and up to £51,400 | 9.5% |
| On earnings above | £49,901 | 12% | £51,401 | 12% |

If a person works part time, their contribution rate is determined by comparing their actual pensionable pay to the relevant range banding in the table above.

**Employees Earning Over £50,000**

The number of Stirling Council employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is shown in the following table.

| Remuneration band | 2021/22 Non Teaching Employees | 2021/22 Teaching & Education Employees | 2021/22 Total Employees | 2022/23 Non Teaching Employees | 2022/23 Teaching & Education Employees | 2022/23 Total Employees |
|---|---|---|---|---|---|---|
| £50,000 - £54,999 | 34 | 87 | **121** | 65 | 76 | **141** |
| £55,000 - £59,999 | 11 | 45 | **56** | 25 | 78 | **103** |
| £60,000 - £64,999 | 16 | 30 | **46** | 13 | 37 | **50** |
| £65,000 - £69,999 | 2 | 12 | **14** | 12 | 35 | **47** |
| £70,000 - £74,999 | 2 | 1 | **3** | 5 | 14 | **19** |
| £75,000 - £79,999 | 7 | 2 | **9** | 2 | 4 | **6** |
| £80,000 - £84,999 | 1 | 3 | **4** | 6 | 2 | **8** |
| £85,000 - £89,999 | 2 | 1 | **3** | - | 4 | **4** |
| £90,000 - £94,999 | 2 | - | **2** | 3 | 1 | **4** |
| £95,000 - £99,999 | - | - | **0** | 2 | - | **2** |
| £110,000 - £114,999 | 1 | - | **1** | - | - | **0** |
| £120,000 - £124,999 | 1 | - | **1** | - | - | **0** |
| £125,000 - £129,999 | - | - | **0** | 2 | - | **2** |
| **Total Employees** | **79** | **181** | **260** | **135** | **251** | **386** |

The increase in the number of Stirling Council employees falling into the greater than £50,000 remuneration bands for 2022/23 is due to pay award increases from 1 April 2022.

**Severance Costs**

Stirling Council terminated the contracts of a number of employees in 2021/22 and 2022/23 as part of a voluntary severance exercise.

The following table details, by cost banding, the actual severance costs incurred by the Council, together with an actuarial estimation of future recurring severance costs that may potentially be incurred by Stirling Council up until the age at which the relevant employees are assumed to cease being members of the pension scheme.

Actual severance costs incurred by the Council in each year are allocated across the following four areas:

- Strain Costs, representing the amount which Stirling Council is required to pay to the pension fund because the employee has retired before the assumed retirement age and which would result in a shortfall in contributions up to the assumed retirement age.
- Compensatory Added Years (CAY) Lump Sum, representing the amount that Stirling Council pays to the individual in a one-off lump sum, according to the compensatory added years awarded.
- Redundancy Lump Sums, representing the amount that Stirling Council pays to the individual in a one-off lump sum, where the individual would normally not be entitled to draw pension benefits due to their age (under 50 years).

- Payments In-lieu of Notice, representing the amount that Stirling Council pays to an individual for a period of notice that the individual is not required to work.

In addition to actual severance costs incurred by the Council, the Accounting Code of Practice also requires disclosure of Capitalised Compensatory Added Years Liabilities. These liabilities represent an actuarial estimate of the discounted value of future recurring Compensatory Added Years payments that Stirling Council may be required to pay to the Pension Fund up until the age at which the former employee is assumed to cease being a member of the pension scheme. It should be stressed that these cost assumptions are based on average life expectancies and so may be subject to change based on actual circumstances impacting on individual pension members.

| | | Severance Costs 2022/23 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Cost Banding** | **No. of Employees** | **Strain Costs** | **CAY Lump Sums** | **Redundancy Lump Sums** | **Payments In-lieu of Notice** | **Subtotal: Actual Severance Costs Incurred** | **Estimated CAY Liabilities** | **Total Estimated Severance Costs** |
| | | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| £0 - £20,000 | 38 | 3 | 1 | 71 | 102 | **177** | 6 | **183** |
| £20,001 - £40,000 | 2 | - | - | 24 | 18 | **42** | - | **42** |
| £40,001 - £60,000 | 1 | - | - | 51 | - | **51** | - | **51** |
| £60,001 - £80,000 | 1 | - | - | 52 | 11 | **63** | - | **63** |
| **Totals 2022/23** | **42** | **3** | **1** | **198** | **131** | **333** | **6** | **339** |

| | | Comparative Severance Costs 2021/22 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Cost Banding** | **No. of Employees** | **Strain Costs** | **CAY Lump Sums** | **Redundancy Lump Sums** | **Payments In-lieu of Notice** | **Subtotal: Actual Severance Costs Incurred** | **Estimated CAY Liabilities** | **Total Estimated Severance Costs** |
| | | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| £0 - £20,000 | 26 | - | 4 | 23 | 83 | **110** | - | **110** |
| £20,001 - £40,000 | 1 | - | - | 12 | 15 | **27** | - | **27** |
| £40,001 - £60,000 | 3 | 36 | 3 | 58 | 30 | **127** | 16 | **143** |
| **Totals 2021/22** | **30** | **36** | **7** | **93** | **128** | **264** | **16** | **280** |

**Clackmannanshire and Stirling Integration Joint Board**

Under Section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014, a Chief Officer for the IJB has to be appointed with the remuneration terms of the Chief Officer's employment being approved by the IJB.

A Black has been employed as Chief Officer of the Clackmannanshire and Stirling Integration Joint Board (IJB) from 17 June 2019. Stirling Council's share (30%) of the remuneration and pension entitlements of A Black are outlined below:

| **Total Remuneration** | | **In-Year Pension Contributions** | | **Accrued Pension Benefits** | | | |
|---|---|---|---|---|---|---|---|
| | | | | **As at** | | **Difference from** | |
| **2021/22** | **2022/23** | **For Year to 31 March 2022** | **For Year to 31 March 2023** | **31 March 2023** | | **31 March 2022** | |
| | | | | **Pension** | **Lump Sum** | **Pension** | **Lump Sum** |
| **£** | **£** | **£** | **£** | **£** | **£** | **£** | **£** |
| 31,555 | 32,407 | 6,595 | 6,773 | 13,277 | 32,286 | 3,906 | 9,132 |

**Subsidiary Entities**

Stirling Council includes 6 subsidiary entities within its Group Accounts (excluding Common Good and Charitable Trusts). Of these, only Active Stirling Ltd, a charitable Leisure Trust, employs a senior employee (A Bain - Chief Executive). None of the other 5 subsidiary entities employed a senior employee during 2021/22 or 2022/23. None of the 6 subsidiary entities paid remuneration to Councillors of Stirling Council in 2021/22 or 2022/23. The remuneration and pension entitlements of A Bain are as follows:

| **Total Remuneration** | | **In-Year Pension Contributions** | | **Accrued Pension Benefits** | | | |
|---|---|---|---|---|---|---|---|
| | | | | **As at** | | **Difference from** | |
| **2021/22** | **2022/23** | **For Year to 31 March 2022** | **For Year to 31 March 2023** | **31 March 2023** | | **31 March 2022** | |
| | | | | **Pension** | **Lump Sum** | **Pension** | **Lump Sum** |
| **£** | **£** | **£** | **£** | **£** | **£** | **£** | **£** |
| 85,000 | 85,850 | 14,535 | 14,680 | 37,000 | 37,000 | 4,000 | - |

**Trade Union Regulations**

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The data is required to be published on a website maintained by or on behalf of the employer before 31st July each year. The relevant information relating to 2022/23 can be found on the Council's website at the following link https://www.stirling.gov.uk/jobs-business-investment/jobs/hr-performance-reporting/ and is also shown below for information.

**Table 1: Stirling Council employees**

What was the total number of employees who were relevant union officials employed during the relevant period?

| Central Function Employees | | | Education Function Employees | |
|---|---|---|---|---|
| Number of employees who were relevant union officials during the relevant period | Full-time equivalent trade union employee number | | Number of employees who were relevant union officials during the relevant period | Full-time equivalent trade union employee number |
| 37 | 34.87 | | 19 | 16.69 |

**Table 2: Percentage of time spent on facility time**

How many employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

| Central Function Employees | | | Education Function Employees | |
|---|---|---|---|---|
| Percentage of time | Number of employees | | Percentage of time | Number of employees |
| 0% | 0 | | 0% | 0 |
| 1-50% | 36 | | 1-50% | 18 |
| 51-99% | 0 | | 51-99% | 0 |
| 100% | 1 | | 100% | 1 |

**Table 3: Percentage of pay bill spent on facility time**

What is the % of total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period?

| Central Function Employees | | | Education Function Employees | |
|---|---|---|---|---|
| Total cost of facility time | £105,351 | | Total cost of facility time | £64,663 |
| Total pay bill | £118,749,383 | | Total pay bill | £67,027,522 |
| % of total pay bill spent on facility time, *calculated as: (total cost of facility time / total pay bill) x 100* | 0.09% | | % of total pay bill spent on facility time, *calculated as: (total cost of facility time / total pay bill) x 100* | 0.10% |

**Table 4: Paid trade union activities**

How many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

| Central Function Employees | | | Education Function Employees | |
|---|---|---|---|---|
| Time spent on trade union activities as a % of total paid facility time hours, *calculated as: (totals hours spent on trade union activities by relevant union officials during the relevant period / total paid facility time hours) x 100* | 5.86% | | Time spent on trade union activities as a % of total paid facility time hours, *calculated as: (totals hours spent on trade union activities by relevant union officials during the relevant period / total paid facility time hours) x 100* | 6.95% |

Caroline Sinclair
Chief Executive

Cllr Chris Kane
Leader of the Council

# Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis the Movement in Reserves Statement. When income and expenses are material, the nature and amount is disclosed on the Comprehensive Income and Expenditure Statement and in notes to the accounts.

| 2021/22 Restated Gross Spend £000 | 2021/22 Restated Gross Income £000 | 2021/22 Restated Net Spend £000 | | Note | 2022/23 Gross Spend £000 | 2022/23 Gross Income £000 | 2022/23 Net Spend £000 |
|---|---|---|---|---|---|---|---|
| 523 | (72) | 451 | Chief Executive Office | | 462 | (29) | 433 |
| 8,400 | (4,950) | 3,450 | Housing | | 8,603 | (4,854) | 3,749 |
| 19,952 | (3,121) | 16,831 | People & Community Wellbeing | | 19,115 | (4,625) | 14,490 |
| 11,819 | (1,332) | 10,487 | Customer Service and Performance | | 14,140 | (1,948) | 12,192 |
| 14,672 | (2,266) | 12,406 | Children & Families | | 15,790 | (2,738) | 13,052 |
| 130,855 | (19,173) | 111,682 | Schools & Learning | | 140,798 | (19,341) | 121,457 |
| 7,364 | - | 7,364 | Balfron PFI & Schools PPP | | 8,129 | - | 8,129 |
| 37,295 | (5,863) | 31,432 | Environment and Place | | 36,076 | (4,454) | 31,622 |
| 22,467 | (5,991) | 16,476 | Infrastructure | | 26,842 | (5,904) | 20,938 |
| 527 | (159) | 368 | City Region Deal | | 598 | (146) | 452 |
| 6,500 | (2,588) | 3,912 | Economic Development & Culture | | 7,842 | (1,785) | 6,057 |
| 20,961 | (16,220) | 4,741 | Finance | | 20,628 | (15,576) | 5,052 |
| 3,845 | (1,008) | 2,837 | Governance | | 3,911 | (734) | 3,177 |
| 107,362 | (62,305) | 45,057 | Clackmannanshire/Stirling Integration Joint Board | | 119,215 | (67,738) | 51,477 |
| 988 | - | 988 | Central Scotland Valuation Joint Board | | 1,006 | - | 1,006 |
| 8,709 | (2,816) | 5,893 | Other Operating Income & Expenditure | | 13,200 | (8,793) | 4,407 |
| **402,239** | **(127,864)** | **274,375** | **Net Cost Of General Services** | | **436,355** | **(138,665)** | **297,690** |
| 12,334 | (22,850) | (10,516) | Deficit on Housing Revenue Account | HRA | 23,938 | (23,559) | 379 |
| **414,573** | **(150,714)** | **263,859** | **Net Cost of Services** | | **460,293** | **(162,224)** | **298,069** |
| 28 | - | 28 | (Gain)/Loss on the Disposal of Non-Current Assets | | - | (703) | (703) |
| 480 | - | 480 | Loss on the Disposal of Investments | | - | - | - |
| 13,566 | - | 13,566 | Interest Payable and Similar Charges | | 14,183 | - | 14,183 |
| - | (789) | (789) | Interest Receivable and Similar Income | | - | (825) | (825) |
| 18,777 | - | 18,777 | Interest Expense on Pension Defined Benefit Obligation | 26 | 24,654 | - | 24,654 |
| - | (12,290) | (12,290) | Interest Income on Pension Scheme Assets | 26 | - | (18,879) | (18,879) |
| - | (7) | (7) | Gain on Investment Property Revaluations | | - | (53) | (53) |
| - | (261,788) | (261,788) | Taxation and Non-Specific Grant Income | 12 | - | (279,801) | (279,801) |
| **447,424** | **(425,588)** | **21,836** | **Deficit on Provision of Services** | | **499,130** | **(462,485)** | **36,645** |
| | | (61,594) | Surplus Arising on Revaluation of Non-Current Assets | 27 | | | (51,559) |
| | | (136,961) | Remeasurements of the net defined benefit liability | 25/26 | | | (239,530) |
| | | **(198,555)** | **Other Comprehensive Income and Expenditure** | | | | **(291,089)** |
| | | **(176,719)** | **Total Comprehensive Income and Expenditure** | | | | **(254,444)** |

# Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

| | Note | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Repairs and Renewals Fund £000 | Insurance Fund £000 | Capital Grants& Receipts Unapplied Account £000 | **Total Usable Reserves £000** | Unusable Reserves £000 | **Total Council Reserves £000** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance b/fwd at 1/4/2021** | | **(44,971)** | **(986)** | **(856)** | **(2,049)** | **(858)** | **(3,921)** | **(53,641)** | **(209,593)** | **(263,234)** |
| **Movement in Reserves 2021/22 Restated** | | | | | | | | | | |
| Deficit / (surplus) on provision of Services | CIES | 36,040 | (14,204) | - | - | - | - | **21,836** | - | **21,836** |
| Other Comprehensive Expenditure/(Income) | CIES | - | - | - | - | - | - | **-** | (198,555) | **(198,555)** |
| **Total Comprehensive Expenditure/Income** | | **36,040** | **(14,204)** | **-** | **-** | **-** | **-** | **21,836** | **(198,555)** | **(176,719)** |
| Adjustments to useable reserves permitted by accounting standards | | (6,994) | (2,586) | **-** | **-** | **-** | **-** | **(9,580)** | 9,580 | **-** |
| Adjustments between accounting basis & funding basis under regulations | 14 | (28,508) | 16,790 | (382) | - | - | 2,202 | **(9,898)** | 9,898 | **-** |
| Transfers to/from Other Statutory Reserves | | 2 | - | - | (207) | 205 | - | **-** | - | **-** |
| **Decrease/(Increase) in 2021/22** | | **540** | **-** | **(382)** | **(207)** | **205** | **2,202** | **2,358** | **(179,077)** | **(176,719)** |
| **Balance c/fwd at 31/3/2022** | | **(44,431)** | **(986)** | **(1,238)** | **(2,256)** | **(653)** | **(1,719)** | **(51,283)** | **(388,670)** | **(439,953)** |
| **Movement in Reserves 2022/23** | | | | | | | | | | |
| Deficit / (surplus) on provision of Services | CIES | 40,987 | (4,342) | - | - | - | - | **36,645** | - | **36,645** |
| Other Comprehensive Expenditure/(Income) | CIES | - | - | - | - | - | - | **-** | (291,089) | **(291,089)** |
| **Total Comprehensive Expenditure/Income** | | **40,987** | **(4,342)** | **-** | **-** | **-** | **-** | **36,645** | **(291,089)** | **(254,444)** |
| Adjustments to useable reserves permitted by accounting standards | | (7,813) | (3,000) | **-** | **-** | **-** | **-** | **(10,813)** | 10,813 | **-** |
| Adjustments between accounting basis & funding basis under regulations | 14 | (17,882) | 7,342 | (227) | - | - | 622 | **(10,145)** | 10,145 | **-** |
| Transfers to/from Other Statutory Reserves | | (719) | - | - | 418 | 301 | - | **-** | - | **-** |
| **Decrease/(Increase) in 2022/23** | | **14,573** | **-** | **(227)** | **418** | **301** | **622** | **15,687** | **(270,131)** | **(254,444)** |
| **Balance c/fwd at 31/3/2023** | | **(29,858)** | **(986)** | **(1,465)** | **(1,838)** | **(352)** | **(1,097)** | **(35,596)** | **(658,801)** | **(694,397)** |

# Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| Original 31 March 2022 £000 | Restated 31 March 2022 £000 | | Note | 31 March 2023 £000 |
|---|---|---|---|---|
| 3,110 | 3,110 | Intangible Assets | 15 | 2,472 |
| 807,616 | 847,443 | Property, Plant & Equipment | 16 | 908,131 |
| 1,512 | 1,512 | Heritage Assets | 17 | 1,418 |
| 1,183 | 1,183 | Investment Property | 18 | 1,236 |
| 17,048 | 17,048 | Long Term Debtors | 21 | 16,878 |
| - | - | Long Term Asset (Pensions) | 26 | 10,446 |
| **830,469** | **870,296** | **Long Term Assets** | | **940,581** |
| 559 | 559 | Inventories | 4 | 825 |
| 22,668 | 22,668 | Short Term Debtors | 22 | 22,143 |
| 430 | 430 | Short Term Investments | 4 | - |
| 285 | 285 | Assets Held for Sale | 4 | - |
| 9,835 | 9,835 | Cash and Cash Equivalents | 23 | 12,247 |
| **33,777** | **33,777** | **Current Assets** | | **35,215** |
| (11,681) | (11,681) | Short Term Borrowing | 29,30 | (37,631) |
| (62,829) | (62,829) | Short Term Creditors | 24 | (64,232) |
| (1,322) | (1,322) | Short Term Provisions | 4 | (1,380) |
| **(75,832)** | **(75,832)** | **Current Liabilities** | | **(103,243)** |
| (132,716) | (132,716) | Long Term Borrowing | 29 | (129,552) |
| (47,172) | (47,172) | PFI & PPP Liabilities | 25 | (44,439) |
| (2,232) | (2,232) | Capital Grants Receipts in Advance | 4 | (2,487) |
| (1,281) | (1,281) | Revenue Grants Receipts in Advance | 4 | (1,678) |
| (204,887) | (204,887) | Other Long Term Liability (Pensions) | 26 | - |
| **(388,288)** | **(388,288)** | **Long Term Liabilities** | | **(178,156)** |
| **400,127** | **439,953** | **Net Assets** | MIRS | **694,397** |
| (348,844) | (388,670) | Unusable Reserves | 27 | (658,801) |
| (51,283) | (51,283) | Usable Reserves | MIRS | (35,596) |
| **(400,127)** | **(439,953)** | **Total Reserves** | | **(694,397)** |

The unaudited accounts were issued on 8 June 2023 and the audited accounts were authorised for issue on 29 August 2024.

George Murphy
Finance Service Manager (Acting S.95 Officer)

# Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

| Restated 2021/22 £000 | | Note | 2022/23 £000 |
|---|---|---|---|
| **21,836** | **Net Deficit on the Provision of Services** | MIRS | **36,645** |
| | **Adjustment for Non-Cash Movements** | | |
| (26,882) | Depreciation and impairments | | (37,930) |
| (417) | Non current asset adjustments | | (319) |
| (27,965) | Retirement benefits | | (24,197) |
| 134 | Net movement in stock | | 266 |
| (8,095) | Net movement in debtors | | (615) |
| (10,790) | Net movement in creditors and provisions | | (2,776) |
| 3,179 | Other non-cash items | | (1,801) |
| **(70,776)** | | | **(67,372)** |
| | **Adjustments for Items Shown Within Investing and Financing Activities** | | |
| 396 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 14/15 | 1,075 |
| 17,871 | Capital grants and contributions applied to capital financing | 12 | 27,308 |
| 161 | Other payments for financing activities (net contribution to/from NDR Pool) | NDR | (7,238) |
| **18,428** | | | **21,145** |
| **(30,512)** | **Net Cash Inflows from Operating Activities *** | | **(9,582)** |
| 57,737 | Purchase of property, plant and equipment, investment property and intangible assets | | 49,174 |
| (396) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 14/15 | (1,075) |
| (30,772) | Capital grants, receipts and contributions applied to capital financing | | (28,003) |
| **26,569** | **Net Cash Outflows from Investing Activities** | | **20,096** |
| (16,110) | Cash receipts of short and long-term borrowing | | (41,115) |
| 28,574 | Cash repayments of short and long-term borrowing | | 18,399 |
| 2,531 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 25 | 2,552 |
| (161) | Other payments/receipts for financing activities (net contribution to/from NDR Pool) | NDR | 7,238 |
| **14,834** | **Net Cash (In)/Outflows from Financing Activities** | | **(12,926)** |
| **10,891** | **Net (Increase) / Decrease in Cash and Cash Equivalents** | | **(2,412)** |
| 20,726 | Cash and Cash Equivalents at the Beginning of the Reporting Period | | 9,835 |
| **9,835** | **Cash and Cash Equivalents at the End of the Reporting Period** | 23 | **12,247** |

* The cash flows from operating activities in 2022/23 include interest received of £0.630m (2021/22, £0.485m) and interest paid of £14.142m (2021/22, £13.565m).

# Notes to the Single Entity Financial Statements

## 1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis (EFA) is to demonstrate to council tax and rent payers how the funding available to the authority (government grants, rents, fees and charges, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices.

The EFA is structured in accordance with the Council's Management structure, whereby it shows how expenditure is allocated for decision making purposes between the authority's Services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2021/22 Restated | | | | 2022/23 | | |
|---|---|---|---|---|---|---|
| **Net Expenditure Chargeable to General Fund and HRA Reserves £000** | **Adjustments between the Funding and Accounting Basis £000** | **Net Expenditure in the CIES £000** | | **Net Expenditure Chargeable to General Fund and HRA Reserves £000** | **Adjustments between the Funding and Accounting Basis £000** | **Net Expenditure in the CIES £000** |
| 322 | 129 | 451 | Chief Executive Office | 383 | 50 | 433 |
| 2,459 | 991 | 3,450 | Housing | 3,160 | 589 | 3,749 |
| 12,561 | 4,270 | 16,831 | People & Community Wellbeing | 11,016 | 3,474 | 14,490 |
| 7,775 | 2,712 | 10,487 | Customer Service and Performance | 9,266 | 2,926 | 12,192 |
| 10,868 | 1,538 | 12,406 | Children & Families | 11,517 | 1,535 | 13,052 |
| 92,220 | 19,461 | 111,681 | Schools & Learning | 105,526 | 15,930 | 121,456 |
| 7,364 | - | 7,364 | Balfron PFI & Schools PPP | 8,129 | - | 8,129 |
| 19,885 | 11,547 | 31,432 | Environment and Place | 21,049 | 10,573 | 31,622 |
| 13,564 | 2,912 | 16,476 | Infrastructure | 16,254 | 4,685 | 20,939 |
| 342 | 26 | 368 | City Region Deal | 366 | 86 | 452 |
| 2,261 | 1,651 | 3,912 | Economic Development & Culture | 3,890 | 2,167 | 6,057 |
| 4,015 | 726 | 4,741 | Finance | 4,335 | 717 | 5,052 |
| 2,095 | 742 | 2,837 | Governance | 2,627 | 550 | 3,177 |
| 41,613 | 3,444 | 45,057 | Clackmannanshire/Stirling Integration Joint Board | 48,654 | 2,823 | 51,477 |
| 988 | - | 988 | Central Scotland Valuation Joint Board | 1,006 | - | 1,006 |
| 9,868 | (3,975) | 5,893 | Other Operating Income & Expenditure | 6,229 | (1,822) | 4,407 |
| **228,101** | **46,273** | **274,370** | **Net Cost Of General Services** | **253,407** | **44,283** | **297,690** |
| (2,292) | (8,223) | (10,516) | Housing Revenue Account | (3,155) | 3,534 | 379 |
| **225,809** | **38,050** | **263,859** | **Net Cost of Services** | **250,252** | **47,817** | **298,069** |
| - | 28 | 28 | (Gain)/Loss on Disposal of Non-Current Assets | - | (703) | (703) |
| - | 480 | 480 | Loss on Disposal of Investments | - | - | - |
| 19,437 | (5,871) | 13,566 | Interest Payable and Similar Charges | 17,639 | (3,456) | 14,183 |
| (789) | - | (789) | Interest Receivable and Similar Income | (825) | - | (825) |
| - | 18,777 | 18,777 | Interest Expense on Pension Liabilities | - | 24,654 | 24,654 |
| - | (12,290) | (12,290) | Interest Income on Pension Assets | - | (18,879) | (18,879) |
| - | (7) | (7) | Gain on Investment Property Revaluations | - | (53) | (53) |
| (243,917) | (17,871) | (261,788) | Taxation and Non-Specific Grant Income | (252,493) | (27,308) | (279,801) |
| **540** | **21,296** | **21,836** | **Deficit on Provision of Services** | **14,573** | **22,072** | **36,645** |
| (45,957) | | | Opening General Fund & HRA Reserves 1 April* | (45,417) | | |
| 538 | | | General Fund & HRA Deficit in Year* | 15,292 | | |
| 2 | | | Transfers to/from Other Statutory Reserves | (719) | | |
| **(45,417)** | | | **Closing General Fund & HRA Reserves 31 March*** | **(30,844)** | | |

* For a split of the reserves between the General Fund and HRA – see the Movement in Reserves Statement.

The following table provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Reserves to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

**2022/23: Adjustments between Funding and Accounting Basis**

| **Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts** | **Adjustments for Capital Purposes (Note 1)** | **Net Change for Pensions Adjustments (Note 2)** | **Other Differences (Note 3)** | **Total Adjustments** |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Chief Executive Office | - | 49 | 1 | 50 |
| Housing | 231 | 352 | 6 | 589 |
| People & Community Wellbeing | 1,833 | 1,625 | 16 | 3,474 |
| Customer Service and Performance | 1,638 | 1,264 | 24 | 2,926 |
| Children & Families | 41 | 1,482 | 12 | 1,535 |
| Schools & Learning | 11,851 | 5,846 | (1,767) | 15,930 |
| Environment and Place | 7,929 | 2,588 | 56 | 10,573 |
| Infrastructure | 3,200 | 1,468 | 17 | 4,685 |
| City Region Deal | - | 84 | 2 | 86 |
| Economic Development & Culture | 1,405 | 343 | 419 | 2,167 |
| Finance | - | 703 | 14 | 717 |
| Governance | - | 542 | 8 | 550 |
| Clackmannanshire/Stirling Integration Joint board | 141 | 2,660 | 22 | 2,823 |
| Other Operating Income & Expenditure | 177 | (2,300) | 301 | (1,822) |
| **Net Cost of General Services** | **28,446** | **16,706** | **(869)** | **44,283** |
| Housing Revenue Account | 1,803 | 1,716 | 15 | 3,534 |
| **Net Cost of Services** | **30,249** | **18,422** | **(854)** | **47,817** |
| Other Income & Expenditure from the Expenditure and Funding Analysis | (31,440) | 5,775 | (80) | **(25,745)** |
| **Difference between General Fund Surplus/Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services** | **(1,191)** | **24,197** | **(934)** | **22,072** |

The reportable Service segments within "Net Cost of Services" shown above and also within the Comprehensive Income & Expenditure Account follow the Council's Management structure.

***Note 1: Adjustments for Capital Purposes***

Within 'Net Cost of Services', adjustments have been made to add in depreciation and asset impairments and to deduct capital financed from current revenue (CFCR). Within 'Other Income and Expenditure', adjustments have been made to:

- Add the net gain/loss on disposal of non current assets and the net gain/loss on revaluation of investment properties;
- Deduct the statutory charges for capital financing (principal repayments) as these are not chargeable under generally accepted accounting practices; and
- Add capital grants receivable in the year without conditions, or for which conditions were satisfied in the year.

***Note 2: Net Change for Pensions Adjustments***

Within 'Net Cost of Services', adjustments have been made to remove the actual employer pension contributions made by the authority as allowed by statute and to replace these with actuarial estimates of current service costs and past service costs in accordance with IAS19 Employee Benefits. Within 'Other Income and Expenditure', adjustments have been made to include the net interest on the defined benefit liability chargeable to the Comprehensive Income and Expenditure Statement in accordance with IAS19 Employee Benefits.

***Note 3: Other Differences***

Within 'Net Cost of Services', adjustments have been made to remove transfers to or from earmarked reserves, i.e. holiday pay, insurance fund, repairs and renewal fund. Within 'Other Income and Expenditure', adjustments have been made to recognise the impact on the General Fund from timing differences relating to premiums and discounts.

**2021/22: Comparative Adjustments between Funding and Accounting Basis**

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Restated Adjustments for Capital Purposes | Net Change for Pensions Adjustments (Note 2) | Other Differences (Note 3) | Restated Total Adjustments |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Chief Executive Office | - | 129 | - | 129 |
| Housing | 75 | 915 | 1 | 991 |
| People & Community Wellbeing | 2,278 | 2,027 | 18 | 4,323 |
| Customer Service and Performance | 1,585 | 1,124 | 3 | 2,712 |
| Children & Families | 103 | 1,425 | 10 | 1,538 |
| Schools & Learning | 10,987 | 6,910 | 1,564 | 19,461 |
| Environment and Place | 7,615 | 4,031 | - | 11,646 |
| Infrastructure | 1,857 | 1,053 | 2 | 2,912 |
| City Region Deal | - | 20 | 6 | 26 |
| Economic Development & Culture | 1,328 | 476 | (206) | 1,598 |
| Finance | - | 724 | 2 | 726 |
| Governance | 1 | 738 | 3 | 742 |
| Clackmannanshire/Stirling Integration Joint board | 298 | 3,131 | 15 | 3,444 |
| Other Operating Income & Expenditure | (2,211) | (1,981) | 217 | (3,975) |
| **Net Cost of General Services** | **23,916** | **20,722** | **1,635** | **46,273** |
| Housing Revenue Account | (8,980) | 756 | 1 | (8,223) |
| **Net Cost of Services** | **14,936** | **21,478** | **1,636** | **38,050** |
| Other Income & Expenditure from the Expenditure and Funding Analysis | (23,161) | 6,487 | (80) | **(16,754)** |
| **Difference between General Fund Surplus/Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services** | **(8,225)** | **27,965** | **1,556** | **21,296** |

## 2. Expenditure and Income Analysis By Nature

The Council's expenditure and income for 2022/23 can be analysed as follows:

| Restated 2021/22 | | 2022/23 |
|---|---|---|
| £'000 | | £'000 |
| | **Expenditure** | |
| 177,616 | Employee Benefit Expenses | 192,565 |
| 216,615 | Other Service Expenses | 235,520 |
| 26,822 | Depreciation, Amortisation & Impairment | 37,930 |
| 13,565 | Interest Payable & Similar Charges | 14,142 |
| 28 | (Gain)/Loss on Disposal of Assets | (703) |
| 480 | Loss on Disposal of Investments | - |
| **435,126** | **Total Expenditure** | **479,454** |
| | **Income** | |
| (150,713) | Fees, Charges & Other Service Income | (162,183) |
| (789) | Interest & Investment Income | (825) |
| (80,182) | Income from Council Tax & Non Domestic Rates | (91,053) |
| (181,606) | Government Grants & Contributions | (188,748) |
| **(413,290)** | **Total Income** | **(442,809)** |
| **21,836** | **Deficit on Provision of Services** | **36,645** |

## 3. Reconciliation of Comprehensive Income & Expenditure Statement Deficit to Revenue Budget Deficit

The *Deficit on Provision of Services* position presented in the Comprehensive Income & Expenditure Statement (CIES) reports the Council's financial performance for the year in accordance with the requirements of the Local Authority Accounts (Scotland) Regulations 2014 and Section 12 of the Local Government in Scotland Act 2003. These requirements include accounting for various statutory adjustments and earmarked reserve movements that don't feature in Revenue Budget outturn position statements reported to Committee.

The following table provides a reconciliation between the *Deficit on Provision of Services* position presented in the Comprehensive Income & Expenditure Statement and the Budget Outturn deficit as reported to Committee (see Management Commentary pages 17 and 18).

| | £'000 | £'000 |
|---|---|---|
| **Deficit on Provision of Services (per CIES)** | | **36,645** |
| Add Housing Revenue Account (HRA) Surplus | | 4,342 |
| **Deficit on Provision of General Fund Services** | | **40,987** |
| | | |
| **Remove statutory adjustments that don't feature in revenue budget outturn:** | | |
| Depreciation of non-current assets | (30,386) | |
| Impairment of non-current assets | 264 | |
| Net gain/loss on disposal of non-current assets | 676 | |
| Amortisation of premiums & discounts | 80 | |
| Movement in the market value of Investment Properties | 53 | |
| Statutory provision for the financing of capital investment | 3,376 | |
| Capital expenditure charged to the General Fund | 1,677 | |
| Capital grants and contributions applied to capital financing | 18,995 | |
| Pension costs adjustments | (22,017) | |
| Employees' holiday pay accrual | 1,588 | |
| Transfers to/from other statutory reserves | (719) | |
| | | (26,413) |
| **Movement in General Fund Balance (per Movement in Reserves Statement)** | | **14,574** |
| | | |
| **Adjust for Earmarked Reserves Movements:** | | |
| To meet Service policy objectives and service delivery initiatives | (5,916) | |
| To meet Transformational initiatives | (1,316) | |
| To meet Covid-19 pressures | (5,943) | |
| Schools Devolved Budget Management movements | (279) | |
| Repurposed Earmarked Balances movements | 3,392 | |
| | | (10,062) |
| **Revenue Budget Deficit for 2022/23 (reported to Committee)** | | **4,511** |

## 4. General Accounting Policies (where there is no accompanying note)

**General Principles**

The Statement of Accounts summarises Stirling Council's transactions for the 2022/23 financial year and its position as at 31 March 2023. Stirling Council is required to prepare an annual Statement of Accounts in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 also requires the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (The Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government in Scotland Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

**Accounting Concepts and Principles**

The accounting concepts followed in the application of accounting policies are:

- Accruals - income and expenditure is recognised in the period in which it is incurred or earned, with sums due to or from the Council during the year being included, whether or not the cash has actually been received or paid in the year.

- Going concern - this assumes that Stirling Council will continue in existence for the foreseeable future.

The accounting concepts are supported by qualitative characteristics prescribed by the International Accounting Standards Board's Conceptual Framework for Financial Reporting:

- Two fundamental characteristics (relevance and faithful representation, of which faithful representation has three characteristics - completeness, neutrality and freedom from error); and
- Four enhancement characteristics, which complement the fundamental characteristics (comparable, verifiable, timely and understandable).

**Prior Period Adjustments, Changes In Accounting Policies, Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

In the event of any material errors being discovered in prior period figures, these will be corrected retrospectively by amending opening balances and comparative amounts for the prior year.

**Revenue Recognition**

Revenue from the sale of goods is recognised when Stirling Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Revenue from the provision of services is recognised when Stirling Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Revenue from Council Tax and Non Domestic Rates is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to Stirling Council and the amount of revenue can be measured reliably. Revenue is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

**Surplus Assets**

Assets that are not being used to deliver services, but which do not meet the criteria to be classified as Investment Properties or Assets Held for Sale, i.e. Surplus assets, are measured at fair value (at highest and best use) based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

**Long & Short Term Investments**

During 2022/23, an amount of £0.430m was repaid as part of the wind-up of Stirling Waterfront LLP and the acquisition of the final properties by the re-purposed Steadfast Homes Ltd.

**Inventories**

Inventories are generally included in the Balance Sheet at the lower of cost and net realisable value. Certain inventories have been valued at latest invoice price. The difference between the policy adopted for inventories and that required by the Accounting Code of Practice is not considered material. The carrying value of inventories as at 31 March 2023 is £0.825m (31 March 2022, £0.559m).

**Assets Held for Sale**

At the Balance Sheet date, when it is probable that the carrying amount of an asset will be recovered through a sale transaction, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. The carrying value of assets held for sale as at 31 March 2023 is £nil (31 March 2022, £0.285m).

**Provisions**

Provisions are made where an event has taken place that gives Stirling Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that Stirling Council becomes aware of the obligation, based on the best estimate of the likely settlement, however the timing of such settlements is uncertain. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and appropriate adjustments made to the level of provision. Stirling

Council has made provision in relation to the self-funded elements of Property, Liability and Motor insurance claims which remain unsettled as at 31 March 2023:

| | **2022/23 £000** |
|---|---|
| Insurance Provision at 31/03/22 | 1,322 |
| Increase for 22/23 | 58 |
| **Insurance Provision at 31/03/23** | **1,380** |

**Revenue & Capital Grants Received in Advance**

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as grants received in advance:

- The carrying value of revenue grants received in advance as at 31 March 2023 is £1.678m (31 March 2022, £1.281m).
- The carrying value of capital grants received in advance as at 31 March 2023 is £2.487m (31 March 2022, £2.232m).

## 5. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code requires the disclosure of information relating to the impact of accounting changes that will be required by new accounting standards due to be adopted in future years. This applies to the adoption of the following new or amended standards within the 2023/24 Code:

- IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
- Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24, information on that more specific accounting change will be required in its 2022/23 statements of accounts.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

None of the above are expected to have an impact on the 2022/23 or 2023/24 Accounts.

IFRS16 Leases implementation was originally 1 April 2020 but has been deferred again until 1 April 2024. Whilst the Code allows for adoption at an earlier date, Stirling Council has opted to wait for the implementation date.

## 6. Critical Judgements in Applying Accounting Policies

In applying accounting policies, Stirling Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

**Fair Value Measurements**

In measuring fair value, Stirling Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within a fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset of liability.

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the Council will ensure it identifies the most appropriate valuation techniques to determine fair value

We have considered our exposure to possible losses and made provision where it is probable that an outflow of resources will be required and can be measured reliably. Where it has not been possible to measure the obligation or it is not probable in our opinion that a transfer of economic benefits will be required, contingent liabilities have been disclosed in Note 8.

**Schools PFI and PPP Arrangements**

The Council has entered into one Private Finance Initiative (PFI) and one Public Private Partnership (PPP) contract for the

provision of educational buildings, their maintenance and related facilities. The Council has considered the tests under IFRIC12 and concluded these are service concession arrangements. We are deemed to control the services provided under PFI/PPP and also to control the residual value of the schools at the end of the agreement. The accounting policies for PFI/PPP have been applied to these arrangements and the assets under the contracts (valued at net book value of £184.023m at 31 March 2023) are recognised as Property, Plant & Equipment (PPE) on the Council's Balance Sheet.

## 7. Future Assumptions and Estimation Uncertainties

The disclosure requirements for sources of estimation uncertainty apply to a limited set of matters. They relate to assumptions and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

These Accounts contain estimated figures that are based on assumptions about the future. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**Property, Plant and Equipment (PPE)**

PPE assets are depreciated over useful lives that are dependent on the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may require us to review current spending levels on asset repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful lives of assets reduce then depreciation increases and the carrying amount falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by c. £5m for each year that useful lives were reduced by one year. (See note 14 for carrying values of PPE assets).

**Fair Value Measurements**

Assets held at fair value are revalued on a five year rolling basis by a professionally qualified Royal Institution of Chartered Surveyors (RICS) valuer. In addition to full valuations of property, plant and equipment on a rolling basis over a five year period, the Council assesses all assets to ensure there are no material changes that should drive an earlier valuation, to ensure that, in line with the CIPFA code, assets are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

**Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on assets. Falkirk Pension Fund has engaged consulting actuaries (Hymans Robertson) to provide expert advice about the assumptions to be applied. The effects on the net pension liability of changes in assumptions can be measured, for example, a 0.1% decrease in the real discount rate would result in an increase in the pension liability of 2% or £11.549m (see note 26). However, the assumptions interact in complex ways. The valuation of pension fund assets and liabilities at 31 March 2023 is £708.666m and £644.545m respectively.

**Debtor Provisions**

Stirling Council has made provision of £16.466m in relation to outstanding debtor balances (note 22). Based on current collection rates the provision is deemed sufficient to cover all liabilities that may arise in the future. However, in the current economic climate (COVID Pandemic Recovery and Cost of Living Crisis) it is not certain that such provisions will continue to be sufficient. If debtor collection rates were to deteriorate, consideration would need to be given to further reviewing the criteria for calculating provisions and the provision levels held. Debts are written off during the year in line with the debt write off policy and the authorisation process as set out in the Council's Financial Regulations.

**Insurance Provision**

Stirling Council has made provision of £1.380m in relation to the self-funded elements of Property, Liability and Motor claims which remain unsettled as at 31 March 2023 (£1.322m, 31 March 2022). Although the current provision is deemed sufficient to cover known liabilities that may arise in the foreseeable future, it is not certain as to the potential extent of future claims that may be received by Stirling Council. Any increase in potential claims over and above the £1.380m provision will have a direct impact on the net cost of services within the Comprehensive Income & Expenditure Statement.

**Economic Influences**

High inflation rates and the ongoing war in Ukraine continue to have a significant impact on the local and national economy, particularly on supply chain costs across all sectors including energy, fuel, food and construction. This is anticipated to continue in the short to medium term future affecting the cost of Council service provision and completion of capital programme works, as well as increase the demand for welfare services within our communities. As always, the Council will continue to monitor the ongoing economic position and will manage and plan accordingly through ongoing review of available funding and reserves.

## 8. 2022/23 Stirling Council Accounts Disclosure in Respect of Prior Period Error

Stirling Council discovered an error in the way in which desktop based asset valuations were updated and accounted for in the preceding financial year 2021/22. The error was as a result of accumulated depreciation of a value of £39.826m not being written out when assets were revalued as part of a desktop valuation exercise undertaken for 31 March 2022. This mean that whilst the gross book values of assets were correctly updated, and used for the purposes of calculating depreciation, the assets in question still maintained a balance for accumulated depreciation which meant that the net book value of such assets was under-stated. It also had an impact on the accounting entries in respect of revaluations and impairments.

The Council has since reviewed its final accounts systems and processes and introduced additional internal controls to ensure that such events are unlikely to recur.

In order to correct the error, the Council has revisited all workings for 2021/22 and restated the prior year information in each of the relevant financial statements and notes. The impact on the key financial statements is set out below.

Effect on Comprehensive Income and Expenditure Statement 2021/22

| | Original 2021/22 Net Expenditure £000s | Re-stated 2021/22 Net Expenditure £000s | Amount of Restatement £000s |
|---|---|---|---|
| Schools & Learning | 112,547 | 111,681 | (866) |
| Housing Revenue Account | 286 | (10,516) | (10,802) |
| Net cost of services | 275,526 | 263,859 | (11,667) |
| (Surplus) or deficit on the provision of services | 33,503 | 21,836 | (11,667) |
| (Surplus) or deficit arising on the revaluation of non-current assets | (33,435) | (61,593) | (28,158) |
| Total comprehensive income and expenditure | (136,892) | (176,719) | (39,826) |

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires that an authority present a Balance Sheet at the beginning of the preceding period when a retrospective restatement is made. However, in this case, the error took place at year-end and so did not impact on the opening Balance Sheet for 2021/22. The original and re-stated Balance Sheet for 31 March 2022 is presented on Page 42.

Effect on items in the Balance Sheet March 2022

| | Original 2021/22 £000s | Re-stated 2021/22 £000s | Amount of Restatement £000s |
|---|---|---|---|
| Property, Plant & Equipment | 807,616 | 847,442 | 39,826 |
| Net Assets | 400,127 | 439,953 | 39,826 |
| Unusable reserves | (348,844) | (388,670) | (39,826) |
| Total Reserves | (400,127) | (439,953) | (39,826) |

The following restatement was also required for the Movement in Reserves Statement for usable reserves.

| | Original 2021/22 £000s | Re-stated 2021/22 £000s | Amount of Restatement £000s |
|---|---|---|---|
| Balance b/fwd at 1 April | (263,234) | (263,234) | Nil |
| (Surplus) or deficit on provision of services | 33,503 | 21,836 | (11,667) |
| Other Comprehensive Expenditure and Income | (170,396) | (198,554) | (28,158) |
| (Increase)/Decrease in 2021/22 | (136,893) | (176,719) | (39,826) |
| Balance c/fwd at 31 March 2022 | (400,127) | (439,953) | (39,826) |

## 9. Contingent Liabilities

**Guarantor Arrangements**

Stirling Council acts as guarantor in respect of Stirling Technology Project Ltd.'s obligations under its bank loan agreement. At 31 March 2023 the sum guaranteed was £0.266m (31 March 2022, £0.466m).

Active Stirling Ltd, a subsidiary of Stirling Council, has not accounted for its pension costs under Financial Reporting Standard 17 (FRS17) given the pension guarantee provided by Stirling Council - refer to Group Accounts statements and notes for fuller explanation.

Stirling Council continues to act as a guarantor in respect of Thinkwhere Ltd pension liabilities. At each three yearly valuation, the actuary will assess the funding position of Thinkwhere (noting that they exited the Fund in August 2021) and will compare Thinkwhere's share of Fund assets with its liabilities. Any deficit or surplus will be shared 50/50 between Falkirk and Stirling Council. Following the most recent triennial valuation as at 31 March 2023, the pension surplus amounted to £2.1m to be split in funding terms between both Councils. The next triennial valuation is due on 31 March 2026.

## 10. Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. There are two types of events:

- Adjusting events - those that provide evidence of conditions that existed at the end of the reporting period and the Statements are adjusted to reflect such events.
- Non-adjusting events - those that are indicative of conditions that arose after the reporting period and the Statements are not adjusted. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the event and its estimated financial effect.

Due to the timing of 2022/23 local government audits, where the results of the Pension Fund triennial valuation as at 31 March 2023 were available from actuaries before audits were completed, that would represent an adjusting event, with an adjustment being required if the difference was material. The Council agreed that the valuation difference was material, and have therefore included the the results of the Pension Fund triennial valuation in note 26.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

## 11. External Audit Costs

The anticipated audit fee for 2022/23 is £0.289m in respect of external audit services carried out by the appointed auditor (£0.257m, 2021/22). The auditor did not undertake any non-audit work in 2022/23 or 2021/22.

## 12. Grants and Taxation Income

Whether paid on account, by instalments or in arrears, government grants, third party contributions and donations are recognised as due to Stirling Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments and the grants or contributions will be received. Amounts recognised as due to Stirling Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

Stirling Council credited the following grants, contributions and taxation income to the Comprehensive Income and Expenditure Statement:

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| **Credited to Services** | | |
| Housing Benefit (Rent Allowance & Rent Rebate) Subsidy | (13,994) | (14,198) |
| Other Grants, Reimbursements & Contributions (Government) | (34,398) | (21,071) |
| Other Grants, Reimbursements & Contributions (Non-Government) | (15,327) | (10,223) |
| Housing Benefit/Council Tax Benefit Admin Grant | (223) | (239) |
| **Total** | **(63,942)** | **(45,731)** |

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| Council Tax/Community Charge | (53,024) | (55,111) |
| General Government Grant | (163,735) | (161,440) |
| Non Domestic Rate Redistribution | (27,158) | (35,942) |
| Capital Grants and Contributions | (17,871) | (27,308) |
| **Total** | **(261,788)** | **(279,801)** |

## 13. General Fund Reserves

This note shows General Fund Reserves split between earmarked and uncommitted reserves.

| | Balance at 1 April 2022 £000 | Use of Reserves 2022/23 £000 | New Reserves 2022/23 £000 | Balance at 31 March 2023 £000 |
|---|---|---|---|---|
| Budget 22/23 Repurposed Reserves | (1,958) | 1,958 | - | - |
| Budget 23/24 Repurposed Reserves | - | - | (5,350) | (5,350) |
| Chief Executive Office Initiatives | (59) | - | (16) | (75) |
| Children & Families Initiatives | (970) | 703 | (614) | (881) |
| City Region Deal | (187) | 122 | - | (65) |
| Corporate Systems Developments | (152) | - | - | (152) |
| Council Tax Discount on 2nd Homes | (318) | - | - | (318) |
| Covid-19 Additional Education Monies | (457) | 390 | - | (67) |
| Covid-19 Business Support & Low Income Household | (1,390) | 1,390 | - | - |
| Covid-19 Business Support Admin | (65) | 65 | - | - |
| Covid-19 Business Transition Fund | (84) | 84 | - | - |
| Covid-19 Co2 monitors | (54) | 54 | - | - |
| Covid-19 Community justice | (3) | - | - | (3) |
| Covid-19 Financial Insecurity Flexible funding | (27) | 27 | - | - |
| Covid-19 Free School Meals (Easter) | (45) | 45 | - | - |
| Covid-19 Pandemic Recovery | (10,378) | 5,943 | - | (4,435) |
| Covid-19 Parental Employability Support Fund | (88) | - | - | (88) |
| Covid-19 Spring Hardship | (186) | 186 | - | - |
| Covid-19 Tackling Financial Insecurity | (338) | 304 | - | (34) |
| Covid-19 Tenant Grant Fund | (104) | 104 | - | - |
| Customer Services and Performance Initiatives | (67) | 42 | - | (25) |
| Deposit - Earlsburn Windfarm | (318) | - | (9) | (327) |
| Economic Development, Culture & Tourism Initiatives | (1,840) | 1,451 | (627) | (1,016) |
| Environment and Place Initiatives | (306) | 250 | (273) | (329) |
| Finance Initiatives | (32) | 32 | - | - |
| Future Stirling Elections | (211) | 81 | - | (130) |
| Governance Initiatives | (20) | 20 | - | - |
| Homeless Prevention | (765) | 584 | - | (181) |
| Housing Initiatives | (100) | 5 | - | (95) |
| Infrastructure Initiatives | (550) | 293 | - | (257) |
| PB Pilot Year Funding (Revenue) | (132) | - | - | (132) |
| People & Community Wellbeing Initiatives | (1,770) | 535 | (525) | (1,760) |
| Scheme of Devolved Budget Management within Education | (920) | 283 | (4) | (641) |
| Schools and Learning Initiatives | (5,434) | 3,380 | (1,244) | (3,298) |
| Stirling Business Investment Fund | (44) | - | - | (44) |
| Stirling Development Agency Ltd Dividend | - | - | (1,500) | (1,500) |
| Strategic Housing Account | (896) | - | (350) | (1,246) |
| Transformation Fund Balances | (2,556) | 1,316 | - | (1,240) |
| Treasury Management Balances | (1,414) | 927 | - | (487) |
| **Earmarked Reserves** | **(34,238)** | **20,574** | **(10,512)** | **(24,176)** |
| **Uncommitted Reserves** | (10,193) | 4,511 | - | (5,682) |
| **Total Reserves** | **(44,431)** | **25,085** | **(10,512)** | **(29,858)** |

## 14. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by Stirling Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

| **Adjustments made in 2022/23** | **Note** | **General Fund Balance £000** | **Housing Revenue Account £000** | **Capital Receipts Reserve £000** | **Capital Grants & Receipts Unapplied £000** | **Unusable Reserves Movement £000** |
|---|---|---|---|---|---|---|
| PPE non-current assets written off on disposal or sale | 16 | (1,708) | (81) | - | - | 1,789 |
| PPE depreciation written off on disposal or sale | 16 | 1,338 | 81 | - | - | (1,419) |
| Intangible Assets written off on disposal or sale | | (9) | - | - | - | 9 |
| Intangible Assets depreciation written off on disposal or sale | | 9 | - | - | - | (9) |
| Sale proceeds from disposal of non-current assets | | 1,048 | 27 | (1,075) | - | - |
| Capital expenditure met from Capital Receipts Reserve | 20 | - | - | 846 | - | (846) |
| Contribution from Capital Receipts Reserve towards administrative costs of non-current asset disposals | | (2) | - | 2 | - | - |
| **Net (gain) / loss on disposal of non-current assets** | | **676** | **27** | **(227)** | **-** | **(476)** |
| **Capital grants & contributions applied to capital financing** | 20 | **18,995** | **8,313** | **-** | **-** | **(27,308)** |
| **Amortisation of intangible assets** | | **(790)** | **(8)** | **-** | **-** | **798** |
| Non-current asset revaluation decreases to CIES | 16 | (1,710) | (2,684) | - | - | 4,394 |
| Reversal of non-current asset revaluation decreases to CIES | 16 | 1,974 | 1,517 | - | - | (3,491) |
| Non-current asset depreciation charged to CIES | 16 | (21,784) | (3,633) | - | - | 25,417 |
| **Depreciation and impairment of non-current assets** | | **(21,520)** | **(4,800)** | **-** | **-** | **26,320** |
| **Movement in the market value of investment properties** | CIES | **53** | **-** | **-** | **-** | **(53)** |
| **Reversal of items relating to retirement benefits debited or credited to the 'Surplus or Deficit on the Provision of Services' in the CIES** | 26,27 | **(43,028)** | **(3,730)** | **-** | **-** | **46,758** |
| **Employer's pensions contributions and direct payments to pensioners payable in the year** | 26 | **21,011** | **1,550** | **-** | **-** | **(22,561)** |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 20,27 | - | - | - | 1,544 | (1,544) |
| New Capital Grants Unapplied | 20,27 | - | - | - | (922) | 922 |
| **Application of grants to capital financing from the Capital Grants Unapplied Account** | | - | **-** | **-** | **622** | **(622)** |
| **Statutory provision for the financing of capital investment** | 20,27 | **3,376** | **753** | **-** | **-** | **(4,129)** |
| **Capital expenditure charged to the General Fund & HRA** | 20,27 | **1,677** | **5,252** | **-** | **-** | **(6,929)** |
| **Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements** | 27 | **80** | **-** | **-** | **-** | **(80)** |
| **Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)** | 27 | **1,588** | **(15)** | **-** | **-** | **(1,573)** |
| **Total Adjustments 2022/23** | | **(17,882)** | **7,342** | **(227)** | **622** | **10,145** |

| **Comparative Adjustments made in 2021/22 Restated** | **Note** | **General Fund Balance £000** | **Housing Revenue Account £000** | **Capital Receipts Reserve £000** | **Capital Grants & Receipts Unapplied £000** | **Unusable Reserves Movement £000** |
|---|---|---|---|---|---|---|
| PPE non-current assets written off on disposal or sale | 16 | (4,575) | (141) | - | - | 4,716 |
| PPE depreciation written off on disposal or sale | 16 | 4,161 | 137 | - | - | (4,298) |
| Investment non-current assets written off on disposal or sale | | (480) | - | - | - | 480 |
| Intangible Assets written off on disposal or sale | | (828) | (96) | - | - | 924 |
| Intangible Assets depreciation written off on disposal or sale | | 826 | 95 | - | - | (921) |
| Sale proceeds from disposal of non-current assets | | 385 | 11 | (396) | - | - |
| Capital expenditure met from Capital Receipts Reserve | 20 | - | - | 11 | - | (11) |
| Contribution from Capital Receipts Reserve towards administrative costs of non-current asset disposals | | (3) | - | 3 | - | - |
| **Net (gain) / loss on disposal of non-current assets** | | **(514)** | **6** | **(382)** | **-** | **890** |
| **Capital grants & contributions applied to capital financing** | 20 | **11,692** | **6,179** | **-** | **-** | **(17,871)** |
| **Amortisation of intangible assets** | | **(674)** | **(18)** | **-** | **-** | **692** |
| Non-current asset revaluation decreases to CIES | 16 | (2,237) | (3,609) | - | - | 5,846 |
| Reversal of non-current asset revaluation decreases to CIES | 16 | 3,695 | 10,476 | - | - | (14,171) |
| Non-current asset depreciation charged to CIES | 16 | (21,530) | (3,295) | - | - | 24,825 |
| AHFS revaluation increases/(decreases) to CIES | | (51) | - | - | - | 51 |
| **Depreciation and impairment of non-current assets** | | **(20,123)** | **3,572** | **-** | **-** | **16,551** |
| **Movement in the market value of investment properties** | CIES | **7** | **-** | **-** | **-** | **(7)** |
| **Reversal of items relating to retirement benefits debited or credited to the 'Surplus or Deficit on the Provision of Services' in the CIES** | 26,27 | **(46,802)** | **(1,504)** | **-** | **-** | **48,306** |
| **Employer's pensions contributions and direct payments to pensioners payable in the year** | 26 | **19,796** | **545** | **-** | **-** | **(20,341)** |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 20,27 | (246) | - | - | 2,471 | (2,225) |
| New Capital Grants Unapplied | 20,27 | - | - | - | (269) | 269 |
| **Application of grants to capital financing from the Capital Grants Unapplied Account** | | **(246)** | **-** | **-** | **2,202** | **(1,956)** |
| **Statutory provision for the financing of capital investment** | 20,27 | **5,791** | **1,958** | **-** | **-** | **(7,749)** |
| **Capital expenditure charged to the General Fund & HRA** | 20,27 | **4,121** | **6,053** | **-** | **-** | **(10,174)** |
| **Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements** | 27 | **80** | **-** | **-** | **-** | **(80)** |
| **Net transfer to / from earmarked reserves required by legislation (i.e. holiday pay accrual)** | 27 | **(1,636)** | **(1)** | **-** | **-** | **1,637** |
| **Total Adjustments 2021/22** | | **(28,508)** | **16,790** | **(382)** | **2,202** | **9,898** |

## 15. Intangible Assets

Expenditure on intangible assets that do not have physical substance but are controlled by Stirling Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council, normally 5-10 years.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| Customer Service & Performance | 628 | 740 |
| Environment & Place | 19 | 10 |
| Housing Revenue Account | 18 | 8 |
| Schools & Learning | 27 | 39 |
| **Total** | **692** | **797** |

The carrying value of intangible assets as at 31 March 2023 is as follows:

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| **Balance at start of year** | | |
| Gross carrying amount | 5,056 | 4,898 |
| Accummulated amortisation | (2,017) | (1,788) |
| **Net Book Value at 1 April** | **3,039** | **3,110** |
| Additions | 765 | 159 |
| Derecognition | (923) | (9) |
| Amortisation - derecognition | 921 | 9 |
| Amortisation | (692) | (797) |
| **Net Book Value at 31 March** | **3,110** | **2,472** |
| Comprising: | | |
| Gross carrying amount | 4,898 | 5,048 |
| Accumulated amortisation | (1,788) | (2,576) |

## 16. Property, Plant & Equipment

Property, Plant and Equipment assets are those that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and which are expected to be used during more than one financial year.

**Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to Stirling Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

**Measurement**

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cashflows of the authority).

Property, plant and equipment assets are carried in the Balance Sheet using the following measurement bases:

- Council Dwellings - Existing use value for social housing (EUV-SH)
- School buildings – Current value, but because of their specialist nature, are measured at depreciated replacement cost based on modern equivalent asset which is used as an estimate of current value.
- Infrastructure, Community Assets and Assets Under Construction - Depreciated historical cost
- Surplus assets - Fair value at highest and best use
- All other assets - if no active market exists for the asset or the asset is specialised, measure at depreciated replacement cost. If an active market exists for the asset, measure at existing use value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

**Revaluation**

The Council's annual rolling valuation programme ensures that all assets requiring valuation are revalued at least every

five years. For 2022/23, valuations were undertaken by internal and external valuers. Valuations of land and building were carried out in accordance with the methodologies and bases for estimated set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a Service.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

In addition to full valuations of property, plant and equipment on a rolling basis over a five year period, the council assesses all assets to ensure there are no material changes that should drive an earlier valuation, to ensure that, in line with the CIPFA code, assets are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

For 2022/23, this assessment resulted in earlier, desktop, valuations for various asset classes to reflect estimated material movements in current value, at 31 March 2023, since the last formal revaluations:

- Council dwellings – revaluation using Registers of Scotland average house price indices to reflect changes in the housing market over the period 2021/22 to 2022/23, resulted in an increase of £16.8m (including depreciation adjustments on revaluation) . (Fair Value Hierarchy – Level 2: significant observable inputs). The use of indices does have it's limitations, and this is an interim measure pending a full revaluation of the housing stock in 2023/24. In-year spend, and spend transferred from assets under construction is subject to an adjustment factor to maintain the existing use – social housing value, resulted in decrease of £14.3m.
- Desktop valuation by external valuer of a sample of assets within a range of assets classes, where assets normally valued on a depreciation replacement cost basis, to reflect the increased inflationary values, and the impact of such on the depreciated replacement costs valuation for such asset types. Where a material change was assessed, the relevant BCIS (Building Cost Information Service) Indice was applied to all assets within the relevant asset class to extrapolate an updated building valuation. Unless specifically sampled and revalued, land values were assumed to remain constant. Asset classes included: schools, artificial pitches, cultural assets, hostels, community centres, sports stadium and libraries. (Fair Value Hierarchy – Level 2: significant observable inputs).

Surplus assets and assets held for sale are measured at fair value based on the market value approach using current market conditions and recent sales prices and other relevant information for comparable assets within the Stirling area. (Fair Value Hierarchy – Level 2: significant observable inputs).

The net value of assets is:

| | Council Dwellings £000 | Other Land & Buildings £000 | Surplus Assets £000 | Vehicles, Plant & Equipment £000 | Community Assets £000 | Assets Under Construction £000 | Infrastructure Assets £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| Carried at historic cost | 6,403 | 14,630 | - | 36,649 | 6,436 | 17,049 | 134,477 | **215,644** |
| Valued at current value as at: | | | | | | | | |
| 31 March 2023 | 202,363 | 415,746 | 7,399 | - | - | - | - | **625,508** |
| 31 March 2022 | - | 34,196 | - | - | - | - | - | **34,196** |
| 31 March 2021 | - | 27,686 | - | - | - | - | - | **27,686** |
| 31 March 2020 | - | 2,402 | - | - | - | - | - | **2,402** |
| 31 March 2019 | - | 2,695 | - | - | - | - | - | **2,695** |
| **Total** | **208,766** | **497,355** | **7,399** | **36,649** | **6,436** | **17,049** | **134,477** | **908,131** |

**Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets), Investment Properties and assets not yet available for use (Assets under Construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the Stirling Council Valuer.
- Vehicles, plant and equipment – straight-line allocation over the useful life of each assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure - straight-line allocation over 30-50 years depending on the type of infrastructure asset (e.g. road, bridge etc.).

Services are charged with depreciation, where appropriate, for the use of assets no matter how they are financed. Depreciation on Stirling Council's non-operational assets is not charged to Service revenue accounts. It is however reflected in the Comprehensive Income and Expenditure Statement through Other Operating Income and Expenditure.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

**Component Accounting**

Where a significant component part of an item of Property, Plant & Equipment (PPE) is expected to wear out more quickly than the overall asset, it is depreciated over a shorter period of time and any subsequent expenditure on restoring or replacing the component is capitalised (with any carrying amount of the replaced component being written off to the Comprehensive Income and Expenditure Statement). It should be noted that council dwellings, other land and buildings and surplus assets are considered for componentisation with no de-minimis thresholds set by Stirling Council.

**Disposals**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

All amounts received for a disposal are categorised as capital receipts and require to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce Stirling Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

**Movements in Property, Plant and Equipment**

The movements in Property, Plant and Equipment during 2022/23 are as follows:

| **Movements 2022/23** | **Council Dwellings** | **Other Land & Buildings** | **Vehicles, Plant & Equipment** | **Community Assets** | **Surplus Assets** | **Assets Under Construction** | **Total** |
|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Cost or Valuation** | | | | | | | |
| At 1 April 2022 | **190,039** | **484,286** | **55,559** | **10,756** | **7,168** | **14,997** | **762,805** |
| Additions | 16,232 | 3,777 | 4,567 | 529 | | 8,556 | **33,661** |
| Disposals | (47) | (376) | (230) | - | | - | **(653)** |
| Derecognition | - | - | (1,136) | - | | - | **(1,136)** |
| Revaluations: | | | | | | - | |
| To Revaluation Reserve | - | 17,782 | - | 7 | (22) | - | **17,767** |
| To Provision of Services | (1,879) | 518 | - | 5 | 22 | - | **(1,334)** |
| Asset Reclassifications | 4,421 | 2.057 | 43 | - | 231 | (6,503) | **249** |
| **At 31 March 2023** | **208,766** | **508,044** | **58,803** | **11,297** | **7,399** | **17,050** | **811,359** |
| **Accumulated Depreciation and Impairment** | | | | | | | |
| At 1 April 2022 | **-** | **(21,357)** | **(18,494)** | **(4,344)** | **0** | **0** | **(44,195)** |
| Depreciation charge | (4,464) | (19,579) | (5,025) | (517) | (169) | - | **(29,754)** |
| Disposals | 47 | 6 | 230 | - | - | - | **283** |
| Derecognition | - | - | 1,136 | - | - | - | **1,136** |
| Depreciation written out: | | | | | | | |
| To Revaluation Reserve | 4,417 | 30,242 | - | - | 169 | - | **34,828** |
| To Provision of Services | | | | | - | | |
| Asset Reclassifications | - | - | - | - | - | - | **-** |
| **At 31 March 2023** | **-** | **(10,688)** | **(22,153)** | **(4,861)** | **0** | **0** | **(37,702)** |
| **Net Book Value:** | | | | | | | |
| **At 31 March 2023** | **208,766** | **497,356** | **36,650** | **6,436** | **7,399** | **17,050** | **773,657** |
| **At 31 March 2022** | **190,039** | **462,929** | **37,065** | **6,412** | **7,168** | **14,997** | **718,610** |

| **Movements 2021/22 Restated** | **Council Dwellings** | **Other Land & Buildings** | **Vehicles, Plant & Equipment** | **Community Assets** | **Surplus Assets** | **Assets Under Construction** | **Total** |
|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Cost or Valuation** | | | | | | | |
| At 1 April 2021 | **171,049** | **459,962** | **52,731** | **10,426** | **5,360** | **15,640** | **715,168** |
| Additions | 14,669 | 3,621 | 6,359 | 427 | - | 9,366 | **34,442** |
| Disposals | (19) | (300) | (361) | - | - | - | **(680)** |
| Derecognition | - | (903) | (3,134) | - | - | - | **(4,037)** |
| Revaluations: | | | | | | | |
| To Revaluation Reserve | (10,802) | 22,790 | - | - | (2,414) | (157) | **9,417** |
| To Provision of Services | 8,129 | 1,348 | - | - | 23 | (1,175) | **8,325** |
| Asset Reclassifications | 7,013 | (2,232) | (36) | (97) | 4,199 | (8,677) | **170** |
| **At 31 March 2022** | **190,039** | **484,286** | **55,559** | **10,756** | **7,168** | **14,997** | **762,805** |
| **Accumulated Depreciation and Impairment** | | | | | | | |
| At 1 April 2021 | **(10,906)** | **(40,296)** | **(17,351)** | **(3,818)** | **-** | **-** | **(72,371)** |
| Depreciation charge | (3,901) | (19,140) | (4,663) | (515) | (51) | - | **(28,270)** |
| Disposals | 19 | - | 361 | - | - | - | **380** |
| Derecognition | - | 784 | 3,134 | - | - | - | **3,918** |
| Depreciation written out: | | | | | | | |
| To Revaluation Reserve | 14,788 | 37,150 | - | - | 190 | - | **52,128** |
| To Provision of Services | | | | | | | |
| Asset Reclassifications | - | 145 | 25 | (11) | (139) | - | **20** |
| **At 31 March 2022** | **-** | **(21,357)** | **(18,494)** | **(4,344)** | **0** | **0** | **(44,195)** |
| **Net Book Value:** | | | | | | | |
| **At 31 March 2022** | **190,039** | **462,929** | **37,065** | **6,412** | **7,168** | **14,997** | **718,610** |
| **At 31 March 2021** | **160,143** | **419,666** | **35,380** | **6,608** | **5,360** | **15,640** | **642,797** |

**Infrastructure Assets**

In line with the Local Government Finance Circular 09/2022: Statutory Over-ride – Accounting for Infrastructure Assets, the Council has opted to apply both statutory over-rides.

Statutory Override 1: This permits that, for accounting periods commencing from 1 April 2021 to 31 March 2024, the Council is not required to report the gross cost and accumulated depreciation for infrastructure assets.

Statutory Override 2: This requires that, for the periods from 1 April 2010 to 31 March 2021, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is a nil amount, and no subsequent adjustment shall be made to the carrying amount of the asset with respect to that part. This is required on the basis that parts of infrastructure assets are rarely replaced before the part has been fully consumed and should therefore, in most cases, be fully depreciated at the date of replacement.

| | **2021/22 £000** | **2022/23 £000** |
|---|---|---|
| **Infrastructure Assets – net book value at 1 April** | **124,747** | **128,833** |
| Additions | 9,868 | 12,591 |
| Depreciation charge | (6,133) | (6,475) |
| Revaluations & Reclassifications | 351 | (475) |
| **Infrastructure Assets – net book value at 31 March** | **128,833** | **134,474** |
| Other Property, Plant & Equipment Assets (from table above) | 718,610 | 773,657 |
| **Total Property, Plant & Equipment Assets (per Balance Sheet)** | **847,443** | **908,131** |

**PFI/PPP Assets**

The net book value of PFI/PPP assets included in Other Land & Buildings as at 31 March 2023 is £184.023m (31 March 2022, £170.623m).

**Capital Commitments**

During 2022/23, the Council entered into a number of contracts for the construction of Property, Plant & Equipment within its approved Capital Programme. The delivery of the capital programme has continued to be impacted by a worldwide shortage of raw materials and cost increases.

The General Services Capital Programme underspent by £20.130m. However, £12.872m of this amount was already anticipated early in the financial year and re-profiled into the 2023/24 Capital Programme approved on 3 March 2023. Recommendations for further carry forward will be presented to Council in June 2022 to enable existing 2022/23 commitments to be met. The most significant projects, at 31st March 2022 were:

Secondary School specialist provision (complex needs & ASN) £5.868m; Borestone Primary School £1.960m; Callander Primary School £23.829m; Analogue to Digital switchover for Mobile Emergency Care Services £0.914m;

The Housing Capital Programme overspent by £3.529m, mainly in relation to New House Building / Purchases, Renewable Technologies and external works. Housing Services continue to progress with an ambitious programme of new council housing across the Stirling area; investment is planned for 141 homes during 2023/24 across several sites with £8.1m earmarked to support this.

## 17. Heritage Assets

Stirling Council holds and conserves various heritage assets for future generations in support of the primary objective of increasing the knowledge, understanding and appreciation of the history of the area of Stirling.

Heritage assets are presented separately in the Balance Sheet from other Property, Plant and Equipment assets and are measured at either historic cost or fair value. Valuations may be made by any method that is appropriate and relevant, including valuations for insurance purposes. Where it is not practicable to obtain a fair value, heritage assets are measured at historical cost. Depreciation is not charged on heritage assets that have indefinite lives, but the carrying amount is reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. Any impairment is recognised and measured in accordance with Stirling Council's general policies on impairment.

| | Civic Regalia £000 | Historical Artefacts £000 | Restated Furniture & Artwork £000 | Memorials £000 | Total Assets £000 |
|---|---|---|---|---|---|
| **Net carrying amount at 31 March 2022** | **17** | **1,250** | **189** | **56** | **1,512** |
| Revaluations | 2 | (121) | 25 | - | **(94)** |
| **Net carrying amount at 31 March 2023** | **19** | **1,129** | **214** | **56** | **1,418** |

Civic Regalia items comprise the Council Mace, Provost Chain, Provost Medal and four Bailie Chains. Historical Artefacts comprise the Wallace Sword and the Old Stirling High School Telescope. Furniture & Artwork comprise those items on display within Council offices. All have been included in the Balance Sheet at updated valuations which were carried out during 2022/23. In terms of Memorials, the Council considers that it is not practical to obtain a valuation at a cost commensurate with the benefits to users of the financial statements, and that reliable cost or valuation information cannot be obtained. These include the Wallace Monument, statues, monuments, war memorials, fountains and clock towers. These assets are recognised on the Balance Sheet at a nominal sum of £1 each plus any relevant expenditure incurred.

## 18. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Stirling Council currently has 2 investment properties: Stirling Highland Hotel and the Bio-Reliance Building at Stirling University.

Rentals received in relation to investment properties are credited to the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance.

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| Rental income from investment properties | (157) | (147) |
| Direct operating expenses arising from investment property | - | - |
| **Net gain / (loss)** | **(157)** | **(147)** |

Investment properties are measured initially at cost and subsequently at fair value (highest and best use), based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation and/or disposals are posted to the Comprehensive Income and Expenditure Statement.

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| Carrying value at 1 April | 1,177 | 1,183 |
| Net gains / losses from fair value revaluation | 6 | 53 |
| **Carrying value at 31 March** | **1,183** | **1,236** |

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account with sale proceeds being posted to Capital Receipts Reserve.

## 19. Impairments/Downward Revaluations

Assets subject to a reduction in value as a result of impairment and/or downward revaluation have been accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant Service line(s) in the Comprehensive Income and Expenditure Statement

Where a revaluation loss is reversed subsequently, the reversal is credited to the relevant Service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised. The following table outlines revaluation losses charged and revaluation reversals credited to the Surplus or Deficit on the Provision of Services.

| Assets | 2021/22 Losses £000 | Restated 2021/22 Reversals £000 | 2021/22 Totals £000 | 2022/23 Losses £000 | 2022/23 Reversals £000 | 2022/23 Totals £000 |
|---|---|---|---|---|---|---|
| Car Parks | 173 | (1,501) | (1,328) | 160 | - | 160 |
| Community Facilities / Shops / Retail | 1,308 | (293) | 1,015 | 405 | (795) | (390) |
| Office Sites & Depots | 47 | (9) | 38 | - | (8) | (8) |
| Regeneration / Development Sites | 1,301 | - | 1,301 | 1,460 | (56) | 1,404 |
| Residential Accommodation | 2,302 | (10,431) | 8,129 | 2,369 | (1,461) | 908 |
| Schools / Educational Establishments | 765 | (1,937) | (1,172) | - | (1,170) | (1,170) |
| **Totals** | **5,896** | **(14,170)** | **(8,274)** | **4,394** | **(3,490)** | **904** |

The £2.369m loss and £1.461m reversal on residential accommodation predominantly relates to HRA Council Dwellings. Whilst there was a net increase on revaluation of Council Dwellings, which allowed a reversal of previous impairments, a reduction in the value of individual components required an amount to be charged to the Comprehensive Income and Expenditure Statement.

## 20. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by Stirling Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

| | | 2021/22 £000 | 2022/23 £000 |
|---|---|---|---|
| **Opening Capital Financing Requirement** | | **261,171** | **265,485** |
| **Capital Investment** | Property, Plant and Equipment | 44,310 | 46,252 |
| | Intangible Assets | 765 | 159 |
| | Revenue Expenditure Funded from Capital under Statute | 1,204 | 1,136 |
| | Long Term Debtor | 12,524 | 120 |
| **Sources of Finance** | Capital receipts | (11) | (846) |
| | Capital grants & contributions | (15,843) | (26,306) |
| | Capital grants (Revenue Expenditure Funded from Capital under Statute) | (957) | (1,136) |
| | Application of capital grants unapplied/capital grants received in advance | (7,566) | (1,653) |
| | Repayment of Long Term Investment | (854) | (430) |
| | Repayment of long term debtor | (11,335) | (254) |
| | Direct revenue contributions | (10,174) | (6,929) |
| | Loans fund principal | (7,749) | (4,129) |
| **Closing Capital Financing Requirement** | | **265,485** | **271,469** |
| **Increase/(decrease) in CFR (unsupported by government financial assistance)** | | **4,314** | **5,984** |
| | General Services | 192,633 | 191,053 |
| | HRA | 72,852 | 80,416 |
| | | **265,485** | **271,469** |

## 21. Long Term Debtors

The following table provides an analysis of long-term debtors balances payable to Stirling Council:

| 31 March 2022 | | | | | 31 March 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| Police Debt £000 | Housing Loans £000 | National Housing Trusts £000 | Total Debtors £000 | | Police Debt £000 | Housing Loans £000 | National Housing Trusts £000 | Total Debtors £000 |
| **7,540** | **453** | **11,200** | **19,193** | **Balance b/fwd as at 1st April** | **7,431** | **418** | **9,199** | **17,048** |
| (109) | - | - | (109) | Police Debt Due to Loans Fund | (116) | - | - | (116) |
| - | (35) | - | (35) | House Loan Repayments | - | (62) | - | (62) |
| **-** | **-** | (2,001) | (2,001) | Other Loans & Repayments | **-** | **-** | 8 | 8 |
| **7,431** | **418** | **9,199** | **17,048** | **Balance c/fwd as at 31st March** | **7,315** | **356** | **9,207** | **16,878** |

## 22. Short Term Debtors

The following table provides an analysis of short-term debtors balances payable to Stirling Council:

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Central Government Bodies | 1,017 | 3,647 |
| Other Local Authorities | 576 | 591 |
| NHS Bodies | 1,381 | 1,290 |
| Other Entities and Individuals | 19,694 | 16,615 |
| **Total** | **22,668** | **22,143** |

The above debtors figures represent the position after deducting the following bad debt provisions:

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Council Tax | (6,584) | (6,774) |
| Council Tax Penalty Charges | (1,293) | (1,328) |
| Housing Rents | (1,531) | (1,550) |
| Sundry Debtors | (3,571) | (3,676) |
| Non Domestic Rates | (1,994) | (2,818) |
| Non Domestic Rates Penalty Charges | (233) | (320) |
| **Total** | **(15,206)** | **(16,466)** |

## 23. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in values. Cash and cash equivalents include bank overdrafts as they are part of day to day cash management, and are therefore netted of against other cash in line with the Accounting Code of Practice.

Cash and cash equivalents held as at 31 March are as follows:

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Cash Held by Officers | 34 | 34 |
| Bank Current Accounts | (3,499) | 2,005 |
| Short Term Deposits | 13,300 | 10,208 |
| **Total Cash and Cash Equivalents** | **9,835** | **12,247** |

## 24. Short Term Creditors

The following table provides an analysis of short-term creditor balances payable by Stirling Council:

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Central Government Bodies | (5,821) | (6,030) |
| Other Local Authorities | (1,109) | (552) |
| NHS Bodies | (1,556) | (4,576) |
| Other Entities and Individuals | (54,343) | (53,074) |
| **Total** | **(62,829)** | **(64,232)** |

## 25. Private Finance Initiatives (PFI) and Public Private Partnerships (PPP) Contracts

PFI/PPP contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI/PPP contractor. The appropriate treatment of PFI/PPP contracts is based on control of an asset, such as specifying services and the price paid for these services.

Stirling Council is deemed to control the services that are provided under its PFI/PPP schemes and as ownership of the Property, Plant and Equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. Assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant & Equipment owned by Stirling Council. A liability is also carried on the Balance Sheet representing payments due for the financing of these assets. The Unitary Charge paid to the PPP contractor is allocated between operating costs, finance lease principal and interest and any capitalised lifecycle costs.

**Balfron High School PFI Contract**

In March 2000, Stirling Council entered into a PFI contract for the replacement of Balfron High School. The new school became operational in August 2001. Stirling Council makes annual payments under the Balfron High School PFI agreement to Balfron School Services Ltd, a wholly owned subsidiary of Bell Rock Topco Ltd, who operate the school on behalf of the Council. The Council made net Unitary Charge payments of £3.90m in 2022/23 (2021/22, £3.58m). Stirling Council also receives £1.59m of annual support grant from the Scottish Government as part funding for the project.

**Stirling Schools PPP Contract**

On 21st April 2006, Stirling Council concluded the Stirling Schools PPP Project Agreement with Stirling Gateway, a consortium established for the purpose of carrying out a major rebuilding programme covering five secondary schools within the area and a new community campus at Raploch. Construction commenced in May 2006 and was completed by August 2008. Stirling Council makes annual payments under the Stirling Schools PPP agreement to Stirling Gateway Ltd who operate the PPP schools on behalf of the Council. Education Services made net Unitary Charge payments of £13.94m in 2022/23 (2021/22, £12.93m). Stirling Council also receives £4.4m of annual support grant from the Scottish Government as part funding for the project.

Ownership of all schools will pass to Stirling Council when the Balfron and Stirling Schools' contracts terminate in 2026 and 2039 respectively.

**Payments**

Stirling Council makes agreed Unitary Charge payments each year, which are increased by inflation and reduced if the contractor fails to meet availability and performance standards. Payments still to be made under the PFI/PPP contracts at 31 March 2023 (excluding availability/performance deductions) are as follows:

| | Balfron High School PFI | | | | | Stirling Schools PPP | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Service Charge £000 | Interest Charge £000 | Principal Charge £000 | Contingent Rentals £000 | Total £000 | Service Charge £000 | Interest Charge £000 | Principal Charge £000 | Contingent Rentals £000 | Total £000 |
| Payable in 2023/24** | 1,642 | 290 | 949 | 1,409 | **4,290** | 6,740 | 2,817 | 1,784 | 2,923 | **14,264** |
| Payable 2-5 years | 4,214 | 331 | 2,608 | 3,610 | **10,763** | 31,939 | 10,172 | 6,316 | 12,162 | **60,589** |
| Payable 6-10 years | - | - | - | - | **-** | 46,532 | 10,366 | 9,209 | 18,536 | **84,643** |
| Payable 11-15 years | - | - | - | - | **-** | 40,108 | 6,238 | 18,954 | 30,464 | **95,764** |
| Payable 16-20 years | - | - | - | - | **-** | 9,014 | 464 | 7,352 | 10,785 | **27,615** |
| **Total** | **5,856** | **621** | **3,557** | **5,019** | **15,053** | **134,333** | **30,057** | **43,615** | **74,870** | **282,875** |

**The figures in the above table assume a standard inflationary increase of 2.5% in line with the PFI/PPP financial models. However, estimated inflationary increase in 2023/24 for Balfron PFI is 7%, with Stirling PPP schools actual increase being 12.6%. The financial impact of the higher inflationary figures in 2023/24 over and above the 2.5% standard, i.e. 4.5% for Balfron PFI and 10.1% for Stirling Schools PPP, is £0.188m and £1.406m respectively, which in turn will increase the amounts payable in 2023/24 to £4.478m for Balfron PFI and £15.670m for Stirling PPP.

The outstanding liability to the contractor for capital expenditure incurred is as follows:

| 2021/22 | | | | 2022/23 | | |
|---|---|---|---|---|---|---|
| **Balfron PFI £000** | **Schools PPP £000** | **Total £000** | | **Balfron PFI £000** | **Schools PPP £000** | **Total £000** |
| (4,598) | (47,657) | **(52,255)** | Balance Outstanding Start of Year | (4,141) | (45,583) | **(49,724)** |
| 457 | 2,074 | **2,531** | Payments During the Year | 584 | 1,968 | **2,552** |
| **(4,141)** | **(45,583)** | **(49,724)** | **Balance Outstanding at Year-end** | **(3,557)** | **(43,615)** | **(47,172)** |

The balance outstanding at year end of £47.172m is split within the Balance Sheet between Finance Lease Liability of £44.439m and Short Term Creditors of £2.733m (total principal charge payable in 2023/24 of £0.949m + £1.784m).

## 26. Pension Costs

Stirling Council participates in two formal pension schemes: the Local Government Pension Scheme (LGPS) administered by Falkirk Council and the Teachers' Scheme administered by the Scottish Government. Both schemes provide defined benefits to members. However, the liabilities for the teachers' scheme cannot be identified specifically to Stirling Council, therefore the scheme is accounted for as if it were a defined contributions scheme - Stirling Council does not recognise assets or liabilities related to the Teachers' Scheme as the liability for payment of pensions rests ultimately with the Scottish Government.

The following disclosures take account of the results of the latest Pension Fund triennial valuation as at 31 March 2023.

**Teachers**

In 2022/23, Stirling Council paid £11.30m to the Teachers' Pension Scheme in respect of teachers' retirement benefits (2021/22, £10.42m), representing an employer contribution rate of 23%. Stirling Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' Scheme. In 2022/23 these amounted to £0.789m (2021/22, £0.798m). Accrued pension costs at 31 March 2023 amounted to £1.554m (31 March 2022, £0.873m).

**Local Government Pension Scheme (LGPS)**

In accordance with International Accounting Standard 19 (IAS19) Stirling Council is required to account for retirement benefits when it is committed to giving them, even if the giving will be many years into the future. This involves the recognition in the Balance Sheet of Stirling Council's share of the net pension asset or liability in the LGPS together with a pension reserve. The CIES also recognises changes during the year in the pension asset or liability. Scottish Government regulations require the General Fund to be charged with the amount payable to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards, In the MIRS this means that there are appropriations to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Stirling Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including Teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the LGPS.

The following elements of pension costs are charged to the CIES:

- Current Service Cost - the increase in the present value of liabilities expected to arise from employee service in the current period.
- Past Service Costs - the increase in liabilities arising from decisions to improve retirement benefits in the current period but which are related to employee service in prior periods.
- Interest Expense - the expected increase during the year in the present value of liabilities because the benefits are one year closer to settlement.
- Expected Return on Assets (including interest income) - a measure of the expected average rate of return on the investment assets held by the scheme in the year.

The following transactions have been made in the financial statements in accordance with IAS19:

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| **Comprehensive Income and Expenditure Statement (CIES)** | | |
| • Current Service Cost | 41,764 | 40,948 |
| • Past Service Costs (including Curtailments) | 55 | 35 |
| • Interest Expense - Defined Benefit Obligation | 18,777 | 24,654 |
| • Interest Income - Scheme Assets | (12,290) | (18,879) |
| **Total Net Charges to the Surplus or Deficit on the Provision of Services** | **48,306** | **46,758** |
| Remeasurement of the net defined benefit liability comprising: | | |
| • Return on Plan Assets (excluding the amount included in the net interest expense) | (68,057) | 12,761 |
| • Actuarial gains and losses arising on changes in demographic assumptions | (7,189) | (17,128) |
| • Actuarial gains and losses arising on changes in financial assumptions | (61,900) | (312,492) |
| • Actuarial gains and losses arising from other experience | 185 | 77,329 |
| **Total Other Post-Employment Benefits Charged to the CIES** | **(136,961)** | **(239,530)** |
| **Total Post-Employment Benefits Charged to the CIES** | **(88,655)** | **(192,772)** |
| **Movement in Reserves Statement** | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services | (48,306) | (46,758) |
| Employer's Contributions Payable to Falkirk Pension Fund | 20,341 | 22,561 |

**Reconciliation of the Movements in the Fair Value of Pension Fund Assets and Liabilities Shown in the Balance Sheet**

| | Liabilities | | | Assets | |
|---|---|---|---|---|---|
| | 2021/22 £000 | 2022/23 £000 | | 2021/22 £000 | 2022/23 £000 |
| **Opening Balance at 1 April** | **(927,118)** | **(901,827)** | **Opening Balance at 1 April** | **613,235** | **696,940** |
| Current Service Cost | (41,764) | (40,948) | Return on Assets | 68,057 | (12,761) |
| Interest Cost | (18,777) | (24,654) | Interest Income | 12,290 | 18,879 |
| Contributions by Participants | (4,680) | (5,237) | Contributions by Participants | 4,680 | 5,237 |
| Actuarial Gain/(Loss) | 68,904 | 279,568 | Actuarial Gain/(Loss) | - | (27,277) |
| Benefits Paid | 21,663 | 22,190 | Benefits Paid | (21,663) | (22,190) |
| Past Service/Curtailment Costs | (55) | (35) | Employer Contributions | 20,341 | 22,561 |
| **Closing Balance at 31 March** | **(901,827)** | **(670,943)** | **Closing Balance at 31 March** | **696,940** | **681,389** |

**Basis for Estimating Assets and Liabilities**

***Pension Liabilities***

Pension liabilities are discounted to their value at current prices using a discount rate based on the indicative rate of return on high quality corporate bonds. Pension assets and liabilities included in Stirling Council's Balance Sheet are as follows:

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| Present Value of Pension Fund Liabilities* | (901,827) | (670,943) |
| Fair Value of Pension Fund Assets | 696,940 | 681,389 |
| **Net Pension Assets/(Liabilities) and Pension Reserve** | **(204,887)** | **10,446** |

*Unfunded liabilities included in the figure for present value of liabilities is £48.397m (2021/22, £56.535m).

Liabilities show the underlying commitments that Stirling Council has in the long run to pay post-employment (retirement) benefits. The total liability of £670.943m has a substantial impact on the net worth of Stirling Council as recorded in the Balance Sheet, resulting in a small positive overall balance of £10.446m. It should be noted that statutory arrangements for funding any overall deficit mean that the financial position of Stirling Council remains healthy.

Any deficit on the LGPS will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. The raising of finance to cover any discretionary benefits is only required when pensions are actually paid.

Stirling Council's share of the liabilities of the LGPS are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees. The LGPS liabilities have been assessed by Hymans Robertson, an independent firm of actuaries and the estimates are based on the latest full valuation of the Fund at 31 March 2023.

As at the date of the most recent full valuation, the duration of the Employer's funded obligations is 20 years. The other main assumptions used by the actuary are:

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| **Long-Term Expected Rate of Return on Fund Assets:** | | |
| Equity Investments, Property, Bonds & Cash | 2.7% | 4.75% |
| **Mortality Assumptions:** | | |
| Longevity at 65 for Current Pensioners - Male | 20.4 years | 20.4 years |
| Longevity at 65 for Current Pensioners - Female | 23.0 years | 23.1 years |
| Longevity at 65 for Future Pensioners - Male | 21.6 years | 21.3 years |
| Longevity at 65 for Future Pensioners - Female | 25.0 years | 24.8 years |
| **Other Assumptions:** | | |
| Rate of Inflation / Rate of Increase in Pensions | 3.2% | 2.95% |
| Rate of Increase in Salaries | 3.8% | 3.55% |
| Rate for Discounting Fund Liabilities | 2.7% | 4.75% |

LGPS liabilities are sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The methods and types of assumption used in preparing the sensitivity analysis below did not change from this used in the previous period.

| **Change in Assumptions at 31 March 2023** | **Approx % Increase to Employer Liability** | **Approx Monetary Amount (£000)** |
|---|---|---|
| 0.1% Decrease in Real Discount Rate | 2% | 11,067 |
| 1 year increase in member life expectancy | 4% | 26,838 |
| 0.1% Increase in the Salary Increase Rate | 0% | 1,379 |
| 0.1% Increase in the Pension Increase Rate (CPI) | 1% | 9,849 |

***McCloud Ruling***

When the Local Government Pension Scheme (LGPS) benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following legal proceedings argued in the McCloud and Sargeant cases, the Court of Appeal found that the transitional provisions introduced in the judges and firefighters' pension schemes in 2015 gave rise to unlawful age discrimination. The UK Government requested leave to appeal this finding but this was refused by the Supreme Court on 27 June 2019. The UK Government has formally accepted the Court's decision and, recognising the implications for all public sector pension schemes, is engaging with relevant representatives to agree how the discrimination will be remedied.

In July 2020, following the UK Government consultation, the Falkirk Pension Fund's actuary adjusted the Government Actuary Department's estimate to better reflect the Council's local assumptions, particularly withdrawal rates and salary increases. The estimated impact of the McCloud judgement included in the 2018/19 financial statements as a past service cost was estimated at £2.4m. These numbers are a high level estimate based on a combination of scheme and fund level calculations and therefore depend on various key assumptions which may or not be borne out in practice. The estimated impact has been included in the net liability position as at 31 March 2023.

***Guaranteed Minimum Pension (GMP)***

Guaranteed Minimum Pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females, however overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits. The Pension Fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of the Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards. This increased liability of £2.4m has been reflected in the annual accounts as a past service cost in 2019/20 and no further impact assessed at 31 March 2023.

***Goodwin Ruling***

There is still uncertainty surrounding the potential remedy to the Goodwin judgement, which is looking at implementing a solution to correct the past underpayment of spouses' benefits. The Pension Fund Actuary has carried out some approximate analysis across Local Government Pension Scheme clients to understand the potential impact of this remedy. The approximate impact is very small for a typical Pension Fund (c. 0.1% - 0.2% of Pension Fund liabilities), which for Stirling Council would equate to c. £0.9m - £1.8m. The Actuary therefore does not believe there are sufficient grounds to apply an additional adjustment to account for this in Pension Fund disclosures, given the level of additional work and fees that would be involved for the Council, and indeed the highly approximate nature of applying an unknown remedy.

***Pension Assets***

Pension assets attributable to Stirling Council are included in the Balance Sheet at their fair value, principally the bid price for quoted securities and estimated fair value for unquoted securities.

The following table shows the split of pension fund asset investments:

| | 31 March 2022 (£'000) | | | 31 March 2023 (£'000) | | |
|---|---|---|---|---|---|---|
| | **Quoted Prices in Active Markets** | **Quoted Prices Not in Active Markets** | **Total Assets** | **Quoted Prices in Active Markets** | **Quoted Prices Not in Active Markets** | **Total Assets** |
| Consumer | 42,557 | - | **42,557** | 46,971 | - | **46,971** |
| Manufacturing | 37,328 | - | **37,328** | 55,146 | - | **55,146** |
| Energy and Utilities | 24,273 | - | **24,273** | 27,229 | - | **27,229** |
| Financial Institutions | 50,690 | - | **50,690** | 50,162 | - | **50,162** |
| Health & Care | 22,807 | - | **22,807** | 25,097 | - | **25,097** |
| Information Technology | 56,474 | - | **56,474** | 51,016 | - | **51,016** |
| Other | 6,810 | - | **6,810** | 5,903 | - | **5,903** |
| UK Govt Securities | 28,531 | - | **28,531** | 69,386 | - | **69,386** |
| Other Securities | 13,004 | - | **13,004** | 9,529 | - | **9,529** |
| Private Equity | - | 8,395 | **8,395** | - | 4,391 | **4,391** |
| UK Property | - | 43,168 | **43,168** | - | 38,863 | **38,863** |
| Overseas Property | - | 58 | **58** | - | 12 | **12** |
| Equities | 179,935 | - | **179,935** | 122,044 | - | **122,044** |
| Bonds | 37,039 | - | **37,039** | 32,238 | - | **32,238** |
| Infrastructure | - | 75,789 | **75,789** | - | 104,535 | **104,535** |
| Other | 27,003 | 14,357 | **41,360** | - | 16,785 | **16,785** |
| Cash & Cash Equivalents | 28,722 | - | **28,722** | 22,082 | - | **22,082** |
| **Total Assets** | **555,173** | **141,767** | **696,940** | **516,803** | **164,586** | **681,389** |

As can be seen from the table above, the Falkirk Pension Fund invests in a wide range of active markets. A large proportion of the assets are invested in equities (57%) and bonds (34.1%), together with property (5.7%) and cash (3.2%). The comparative year's figures are 61.6%, 28.1%, 6.2% and 4.1% respectively.

**Impact on the Authority's Cash Flow**

The objectives of the Falkirk Pension Fund are to keep employers' contributions at as constant a rate as possible. Following the previous triennial valuation as at 31 March 2020, employer's contributions were agreed at 22.5% for 2021/22 and 2022/23, increasing to 23.0% for 2023/24. Following the most recent triennial valuation as at 31 March 2023, employer's contributions were agreed at 19.5% for 2024/25 and 2025/26, increasing to 20.0% for 2026/27.

Total contributions expected to be made by Stirling Council to Falkirk Pension Fund in the year to 31 March 2024 is £19.490m.

**Principal Risks to the Pension Scheme**

The principal risks to the Scheme are the longevity assumptions, statutory changes to the Scheme, changes to inflation, bond yields and the performance of the investments held by the Scheme. The long-term funding strategy and the employer's contribution rates are reviewed triennially and take into account these factors to mitigate the risks.

## 27. Unusable Reserves

| Restated 31 March 2022 £000 | | 31 March 2023 £000 |
|---|---|---|
| (354,339) | Capital Adjustment Account | (366,762) |
| (251,296) | Revaluation Reserve | (292,018) |
| 2,037 | Financial Instruments Adjustment Account | 1,957 |
| 10,041 | Employee Statutory Adjustment Account | 8,468 |
| 204,887 | Pensions Reserve | (10,446) |
| **(388,670)** | **Total Unusable Reserves** | **(658,801)** |

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The following table shows the movement on the Capital Adjustment Account during the year:

| Restated 2021/22 £000 | | 2022/23 £000 | 2022/23 £000 |
|---|---|---|---|
| **(334,675)** | **Balance at 1 April** | | **(354,339)** |
| | **Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:** | | |
| 34,404 | • Charges for depreciation of non-current assets – PPE | 36,230 | |
| 5,846 | • Charges for revaluation decreases of non-current assets – PPE | 4,394 | |
| (14,170) | • Reversal of charges for revaluation decreases of non-current assets - PPE | (3,491) | |
| 692 | • Amortisation of intangible assets | 798 | |
| 4,716 | • PPE non-current assets written off on disposal or sale | 1,789 | |
| (4,298) | • PPE depreciation written off on disposal or sale | (1,419) | |
| 480 | • Investment assets written off on disposal or sale | - | |
| 51 | • Charges for Impairment of non-current assets - AHFS | - | |
| 924 | • Intangible Assets written of on disposal or sale | 9 | |
| (921) | • Intangible Assets depreciation written off on disposal or sale | (9) | |
| **27,724** | | | **38,301** |
| (9,580) | Difference between fair value depreciation and historical cost depreciation | | (10,813) |
| (40) | Adjusting amounts to/(from) the Revaluation Reserve | | (23) |
| **18,104** | **Net written out amount of the cost of non-current assets consumed in the year** | | **27,465** |
| | **Capital financing applied in the year:** | | |
| (11) | • Use of the Capital Receipts Reserve to finance new capital expenditure | (846) | |
| (2,225) | • Application of grants to capital financing from Capital Grants Unapplied | (1,544) | |
| (17,871) | • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement | (27,308) | |
| 269 | • Capital grants and contributions moved to Capital Grants Unapplied | 922 | |
| (7,749) | • Statutory provision for the financing of capital investment charged against the General Fund and HRA Reserves | (4,129) | |
| (10,174) | • Capital expenditure charged against the General Fund and HRA Reserves | (6,929) | |
| **(37,761)** | | | **(39,834)** |
| (7) | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | (53) |
| **(354,339)** | **Balance at 31 March** | | **(366,762)** |

**Revaluation Reserve**

The Revaluation Reserve contains the unrealised gains made by Stirling Council arising from increases in the value of its Property, Plant and Equipment. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. The following table shows the movement on the Revaluation Reserve during the year:

| Restated 2021/22 £000 | | 2022/23 £000 | 2022/23 £000 |
|---|---|---|---|
| **(199,321)** | **Balance at 1 April** | | **(251,296)** |
| (9,470) | Net revaluation (increases)/decreases - PPE Assets | (16,801) | |
| (82) | Net revaluation (increases)/decreases - Heritage Assets | 94 | |
| 85 | Net revaluation (increases)/decreases - Assets Held for Sale | - | |
| (52,128) | Depreciation written out to the Revaluation Reserve - PPE Assets | (34,852) | |
| **(61,594)** | **(Surplus)/Deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement** | | **(51,559)** |
| 9,580 | Difference between fair value depreciation and historical cost depreciation | | 10,813 |
| 40 | Amounts (to)/from Capital Adjustment Account | | 23 |
| **(251,296)** | **Balance at 31 March** | | **(292,018)** |

**Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments. Stirling Council uses the FIAA primarily to manage premiums paid on the early redemption of loans in line with the Treasury Management strategy. Over time the expense is posted to the General Fund balance in accordance with statutory arrangements to spread the burden on Council Tax. The following table shows the movement on the FIAA during the year:

| 2021/22 £000 | | 2022/23 £000 | 2022/23 £000 |
|---|---|---|---|
| **2,116** | **Balance at 1 April** | | **2,037** |
| (79) | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | (80) | |
| (79) | Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | | (80) |
| **2,037** | **Balance at 31 March** | | **1,957** |

**Employee Statutory Adjustment Account**

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 2021/22 £000 | | 2022/23 £000 | 2022/23 £000 |
|---|---|---|---|
| **8,404** | **Balance at 1 April** | | **10,041** |
| (8,404) | Settlement or cancellation of accrual made at the end of the preceding year | (10,041) | |
| 10,041 | Amounts accrued at the end of the current year | 8,468 | |
| 1,637 | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | | (1,573) |
| **10,041** | **Balance at 31 March** | | **8,468** |

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The debit balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources Stirling Council has set aside to meet them. The statutory provisions will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| **313,883** | **Balance at 1 April** | **204,887** |
| (68,057) | Return on Pension Assets | 12,761 |
| (7,189) | Actuarial (gains) / losses arising on changes in demographic assumptions | (17,128) |
| (61,900) | Actuarial (gains) / losses arising on changes in financial assumptions | (312,492) |
| 185 | Actuarial (gains) / losses arising from other experience | 77,329 |
| 48,306 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 46,758 |
| (20,341) | Employer's pensions contributions and direct payments to pensioners payable in the year | (22,561) |
| **204,887** | **Balance at 31 March** | **(10,446)** |

## 28. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of the ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, these elements are considered separately for classification. Assets acquired by Stirling Council under finance leases are shown in the Balance Sheet together with a liability to pay outstanding rentals. Rental payments are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease.

Rental payments made by Stirling Council under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease. Where Stirling Council grants an operating lease to a lessee over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement with credits being made on a straight-line basis over the life of the lease.

**Council as Lessee**

*Operating Leases* - Stirling Council has a number of operational lease arrangements in respect of property and vehicles. Minimum lease payments payable under non-cancellable leases in future years are detailed below.

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Not later than one year | 641 | 755 |
| Later than one year and not later than five years | 688 | 2,186 |
| Later than five years | 4,555 | 4,407 |
| | **5,884** | **7,348** |

The large increase in anticipated minimum lease payments over the period one to five years in the table above is due to renewal of refuse collection vehicle leases.

The expenditure charged to relevant Services in the Comprehensive Income and Expenditure Statement during 2022/23 in relation to these lease payments was £0.774m (2021/22, £0.666m).

*Finance Leases* - During 2022/23, finance lease payments of £2.552m were made in respect of the Balfron PFI and Schools PPP contracts (2021/22, £2.531m) as outlined in note 22. There were no other finance lease payments.

**Council as Lessor**

*Operating Leases* - Stirling Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses
- For commercial purposes as a means of generating income

Minimum lease payments receivable under non-cancellable leases in future years are as follows:

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Not later than one year | (1,943) | (1,962) |
| Later than one year and not later than five years | (5,509) | (5,198) |
| Later than five years | (22,713) | (21,435) |
| | **(30,165)** | **(28,595)** |

Income credited to relevant Services during 2022/23 in relation to these lease receipts was £2.001m (2021/22, £2.257m). There were no finance lease rentals receivable by Stirling Council in 2021/22 or 2022/23.

## 29. Financial Instruments

**Financial Guarantees**

Stirling Council is a signatory to the Local Government Pension Scheme admission agreement for Thinkwhere Ltd and Active Stirling Ltd. The agreements require Stirling Council to make good any pension under-funding position in the event of the companies being wound up.

In order to facilitate the sale of Thinkwhere, Falkirk and Stirling Councils agreed to continue to act as guarantors in respect of the Thinkwhere pension liabilities. This means that at each three yearly valuation, the actuary will assess the funding position of Thinkwhere (noting that they exited the Fund in August last year) and will compare Thinkwhere's share of Fund assets with its liabilities. Any deficit or indeed any surplus will be shared 50/50 between Falkirk and Stirling and included in the overall funding assessment of the two Councils. In August, the Thinkwhere deficit on this basis amounted to c. £750k to be split in funding terms between Falkirk and Stirling. Had the guarantee not been in place, the deficit would have been calculated as £4.25m.

Active Stirling Ltd has elected not to account for its pension costs under FRS17 given the pension guarantee provided by Stirling Council. Instead, the company accounts for its pension costs under the terms of a defined contribution scheme with pension contributions charged to profit/loss in the period to which they relate. The Group Accounts incorporate the Council's share of the company's pension fund asset (under IAS19) which amounts to £4.2m. Further information on this can be found at note 1 to the Group Accounts.

**Financial Assets & Liabilities**

Financial assets are now classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. Financial assets are classified at amortised cost on the basis that the Council's business model is to collect contractual cashflows and are solely principal and interest (SPPI). Financial assets measured at amortised cost are initially measured at fair value and then carried at amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most financial assets, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable in the loan agreement.

Financial liabilities are initially measured at fair value and then carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability multiplied by the effective interest rate for the instrument. For most of Stirling Council's borrowing, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued) interest, with interest charged to the CIES being the amount payable according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the CIES to the net charge against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The following categories of Financial Assets and Liabilities are carried in the Balance Sheet:

| **Financial** | **Non-current** | | | | **Current** | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | **Investments** | | **Debtors** | | **Investments** | | **Debtors** | | **Total** |
| | **31 March** | | **31 March** | | **31 March** | | **31 March** | | **31 March** |
| | **2022** | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** | **2023** | **2023** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Amortised Cost | - | - | - | - | - | - | 6,952 | 5,094 | **5,094** |
| **Total Financial Assets** | - | - | - | - | - | - | **6,952** | **5,094** | **5,094** |

*The reclassification of financial assets under IFRS 9 Financial Instruments was effective from 1 April 2018. Prior to this, the financial assets carried at amortised cost above were classified as financial assets carried at contract amounts. This reclassification has had no effect on the Balance Sheet or other financial statements.*

| **Financial** | **Non-current** | | | | **Current** | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities** | **Borrowings** | | **Creditors** | | **Borrowings** | | **Creditors** | | **Total** |
| | **31 March** | | **31 March** | | **31 March** | | **31 March** | | **31 March** |
| | **2022** | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** | **2023** | **2023** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Amortised Cost | 132,716 | 129,551 | 47,172 | 44,439 | 11,681 | 37,631 | 11,247 | 14,344 | 225,965 |
| **Total Financial Liabilities** | **132,716** | **129,551** | **47,172** | **44,439** | **11,681** | **37,631** | **11,247** | **14,344** | **225,965** |

**Expected Credit Loss Model**

The introduction of the Expected Credit Loss Model under IFRS 9 Financial Instruments requires financial assets to be reviewed for impairment losses to reflect the expectation that the future cashflows might not take place because the borrower could default on their obligations. The model also applies to lease receivables and contract assets. Credit risk plays a crucial part in assessing losses: where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis; where risk remains low or has not significantly increased, losses are assessed on the basis of a 12-month expected loss.

The financial assets carried at amortised cost above represent trade receivables (debtors) held by the Council, the loss measurement for which is the simplified approach based on lifetime expected credit losses. The Council relies on past due information and calculates a bad debts provision based on trade receivables that are more than 30 days past due. The Council has reviewed all other contractual cashflows and has determined that there is no significant increase in credit risk, no significant impairments or no impairment due to counterparties being Central Government of other local authority. The Council considers that due diligence is exercised through the compilation of the Investment Strategy in the Treasury Management Financial Strategy in which the Council sets its investment priorities as the security of capital, the liquidity of its investments and the minimisation of risk.

**Income, Expenses, Gains & Losses**

There were no gains or losses arising from financial instruments during the year. Income and expenses associated with financial instruments and included in the (Surplus)/Deficit on the Provision of Services are detailed below:

| 2021/22 | | | 2022/23 | |
|---|---|---|---|---|
| **Financial Liabilities Amortised Cost £000** | **Total £000** | | **Financial Liabilities Amortised Cost £000** | **Total £000** |
| 6,959 | **6,959** | Interest & Expense | 6,979 | **6,979** |
| 6,606 | **6,606** | Schools PFI/PPP Interest Charges | 7,163 | **7,163** |
| **13,565** | **13,565** | **Total** | **14,142** | **14,142** |

**Fair Value of Assets and Liabilities**

Except for financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised costs are carried on the Balance Sheet at amortised cost. The fair value of financial assets and liabilities is required to be disclosed to enable a comparison to the carrying amounts in the Balance Sheet. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, emphasising that fair value is a market-based measurement, not an authority specific measurement. Fair value does not need to be disclosed when the carrying amount is a reasonable approximation of fair value.

***Fair Value of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)***

Financial liabilities and financial assets represented by amortised cost are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2: inputs other than quoted prices that are observable for the financial asset/liability), using the following assumptions:

- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- Fair value disclosures are not required for short-term trade payables and receivables as the carrying amount is a reasonable approximation fair value.
- For PWLB loans, fair value has been estimated at the cost of taking out a new loan at PWLB new loan (certainty) rates applicable to existing loans at the Balance Sheet date.
- For non-PWLB loans, fair values have been calculated using PWLB new market loan discount rates.
- For PFI/PPP Liabilities, PWLB Annuity Rates have been used as a proxy rate and fair values estimated using new borrowing (certainty rate) discount rates.
- No early repayment or impairment is recognised.

The fair value of financial liabilities are as follows:

| 31 March 2022 Carrying Amount £000 | 31 March 2022 Fair Value New Borrowing Rate £000 | | 31 March 2023 Carrying Amount £000 | 31 March 2023 Fair Value New Borrowing Rate £000 |
|---|---|---|---|---|
| (126,629) | (175,164) | PWLB Loans | (124,329) | (125,029) |
| (9,764) | (11,426) | Non-PWLB Loans | (9,664) | (8,123) |
| (8,004) | (8,000) | Temporary Borrowing | (33,190) | (33,190) |
| **(144,397)** | **(194,590)** | **Total Debt** | **(167,183)** | **(166,342)** |
| (49,724) | (67,952) | PFI/PPP Finance Lease Liability | (47,172) | (55,280) |
| **(194,121)** | **(262,542)** | **Total Financial Liabilities** | **(214,355)** | **(221,622)** |

The fair value is greater than the carrying amount because Stirling Council's borrowing portfolio includes a number of fixed rate loans where the interest rate payable is higher than the comparable loan interest rates at the Balance Sheet date. The difference between the fair value and the carrying value thereby reflects the premiums that would be payable on the early redemption of these fixed rate loans, under a purely hypothetical situation, thereby showing a notional future loss (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders above current market rates.

Stirling Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. The fair value figure presented above for PWLB loans is based on new borrowing rates however, the Council cannot settle these loans at this amount as PWLB charge penalties for early repayment, based on a schedule of premature repayment rates. The fair value calculated on this basis results in the carrying amount of £124.329m being valued at £125.029m which represents the amount that would need to be paid to PWLB to settle these loans at 31 March 2023 i.e. a penalty charge for early redemption of £0.700m.

## 30. Nature and Extent of Risks Arising from Financial Instruments

Stirling Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk - the possibility that other parties might fail to pay amounts due to Stirling Council
- Re-financing risk - the possibility that Stirling Council might be required to renew a financial instrument on maturity on disadvantageous interest rates or terms.
- Liquidity risk - the possibility that Stirling Council might not have funds available to meet its commitments to make payments
- Market risk - the possibility that financial loss might arise for Stirling Council as a result of changes in such measures as interest rates and stock market movements.

Stirling Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under polices approved by Stirling Council in the annual Treasury Management Financial Strategy. Stirling Council provides written principles for overall risk management, as well as written policies covering specific areas, such are interest rate risk, credit risk and the investment of surplus cash. The Treasury Management Financial Strategy 2022/23 was approved on 3 March 2022 and is available on Stirling Council's website (Stirling Council Committee Papers for 3 March 2022).

**Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to Stirling Council's customers. This risk is minimised through the Treasury Management Financial Strategy (Annual Investment Strategy and Counterparty Policy) which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria and sets maximum monetary and time limits for deposits with financial institutions. For 2022/23, Stirling Council determined that until there was greater stability in the world economy, deposits would only be undertaken with UK financial institutions, with priority given to those with a significant level of government support.

Stirling Council's maximum exposure to credit risk in relation to its investments in financial institutions cannot be assessed generally as the risk of an institution failing to make interest payments or repay principal sums will be specific to each individual institution. A risk of irrecoverability applies to all of Stirling Council's deposits but there was no evidence at 31 March 2023 that this was likely to crystallise. Stirling Council's levels of deposits were held only with UK government backed institutions, and limits were increased on a temporary basis throughout the year to accommodate the cashflows associated with various COVID specific grant income and payments. At 31 March 2023, deposits of £10.2m held with the Debt Management Office and the Royal Bank of Scotland were classed as cash and cash equivalents, being invested only for operational cash flow purposes.

Stirling Council does not generally allow credit for its customers (sundry debtors), such that £3.336m of the £5.094m sundry debtor balance is considered, on a collective basis, as past its due date for payment. This amount can be analysed by age as follows:

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Less than 30 days | 941 | 683 |
| 31 – 60 days | 152 | 408 |
| 61 – 90 days | 82 | 85 |
| More than 90 days | 2,503 | 2,160 |
| | **3,678** | **3,336** |

**Re-financing Risk**

The longer term risk to Stirling Council relates to managing the exposure to replacing financial instruments as they mature: there is a refinancing risk that Stirling Council will be bound to replenish a significant proportion of its debt at a time when market rates may be volatile, uncertain or unfavourable. This risk is addressed in the treasury management strategy and formulation of prudential indicators: the calculation of upper and lower limits regarding the maturity structure of borrowings is designed to avoid large concentrations of debt with the same maturity structure. The maturity profile of financial liabilities is regularly reviewed to identify opportunities to improve the profile through the restructure of existing debt or new borrowing. Stirling Council's debt portfolio is predominantly PWLB debt and the current practice of a separate schedule of early repayment rates presents a further element of refinancing risk as this will have an impact of the cost effectiveness of debt rescheduling.

The maturity analysis of financial liabilities (principal amounts including accrued interest) is as follows:

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Less than one year | (11,681) | (37,631) |
| Between 1 and 2 years | (3,165) | (4,201) |
| Between 2 and 5 years | (19,689) | (18,755) |
| Between 5 and 10 years | (9,609) | (6,768) |
| Between 10 and 20 years | (13,181) | (13,436) |
| Between 20 and 30 years | (2,163) | (1,484) |
| Between 30 and 40 years | (59,909) | (64,908) |
| Between 40 and 50 years | (25,000) | (20,000) |
| | **(144,397)** | **(167,183)** |

All trade and other payables are due to be paid in less than one year and are not included in the above table. Temporary Borrowing of £33.0m is included in amounts maturing in less than one year (£8.0m as at 31 March 2022).

**Liquidity Risk**

Stirling Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, Stirling Council has ready access to borrowings from the money markets and the Public Works Loan Board. Stirling Council is also required to provide a balanced budget under the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

**Market Risk**

Stirling Council is exposed to interest rate movements on its borrowings and investments. As Stirling Council's debt portfolio predominantly comprises fixed rate debt, there is considerable certainty regarding the costs of financing such debt and the subsequent charge to the Comprehensive Income and Expenditure Statement (CIES). Movements in interest rates have a complex impact on Stirling Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue reserves)
- Investments at variable rates – the interest income credited to the CIES will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue reserves)

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

Stirling Council has a number of strategies for managing interest rate risk. The annual treasury management strategy draws together Stirling Council's prudential and treasury indicators and its expected treasury operations, including expectations of interest rate movements. Treasury Management staff monitor market and forecast interest rates during the year to adjust exposures appropriately.

At 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect on the Surplus or Deficit on Provision of Services would have been a credit of £0.040m, of which £0.015m relates to HRA. The decrease in the fair value of fixed rate borrowing liabilities using new borrowing rates would be £19.435m. The impact of a 1% fall in interest rates would be the same values but with the movements being reversed.

## 31. Related Parties

Stirling Council is required to disclose material transactions with related parties, being bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure allows readers to assess the extent to which Stirling Council might have been constrained in its ability to operate independently, or might have secured the means to limit another party's ability to bargain freely with the Council.

**The Scottish Government**

The Scottish Government has significant influence over the general operations of Stirling Council, being responsible for providing the statutory framework within which the Council operates. The Scottish Government also provides the majority of Stirling Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (such as Council Tax bills and Housing Benefits). Grants received from the Scottish Government are set out in note 11.

**Officers and Elected Members**

There are no significant related party transactions with Officers of Stirling Council. Elected members of Stirling Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in the Remuneration Report. Each member's registered interests can be found at the following link by clicking on their photograph - https://my.stirling.gov.uk/councillors.

**Entities Controlled or Significantly Influenced by the Council**

Stirling Council has relationships with a number of Companies, Associations, Trusts, Joint Committees and Voluntary Organisations. All of these associations facilitate the discharge of Stirling Council's functions in terms of Section 69 of the Local Government (Scotland) Act 1973. Where Stirling Council has a controlling and/or significant influence over an entity, the entity is consolidated within the Council's Group Accounts. Further information relating to these entities is included in the notes to the Group Accounts.

There were no significant transactions with organisations associated with Board Members.

The following table shows significant transactions between Stirling Council and relevant associated entities.

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| Contributions made to Clackmannanshire and Stirling Integration Joint Board | 41,122 | 48,852 |
| Commissioning income received from Clackmannanshire and Stirling Integration Joint Board | (42,447) | (48,652) |
| Requisition payment made to Central Scotland Valuation Joint Board | 988 | 1,006 |
| Dividend received from Stirling Development Agency Ltd | - | (1,500) |
| Management fee paid to Active Stirling Ltd ** | 2,998 | 2,856 |

** The Management fee actually paid to Active Stirling Ltd in 2022/23 comprised the contractual fee of £1.267m and additional financial support of £1.589m to help mitigate the loss of income suffered by the charitable trust as a result of the COVID pandemic. The £1.589m financial support payments comprised £0.811m carried over from 2021/22 and £0.778m relating to 2022/23. The total financial support package for 2022/23 was agreed at £1.406m, and the remaining balance of £0.628m will be paid over as required in 2023/24.

# Housing Revenue Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

| Restated 2021/22 £'000 | | 2022/23 £'000 |
|---|---|---|
| | **Income** | |
| (19,883) | Dwelling Rents | (20,537) |
| (415) | Non-dwelling Rents | (429) |
| (2,496) | Other Income | (2,536) |
| **(22,794)** | **Total Income** | **(23,502)** |
| | **Expenditure** | |
| 7,213 | Repairs and Maintenance | 10,003 |
| 5,330 | Supervision and Management | 5,392 |
| (969) | Depreciation and Impairment of Non-Current Assets | 7,808 |
| 241 | Increase in the Allowance for Bad Debts/Debt Write-offs | 208 |
| 305 | Other Expenditure | 313 |
| **12,120** | **Total Expenditure** | **23,724** |
| **(10,674)** | **Net Expenditure on HRA Services Included in the Comprehensive Income and Expenditure Statement** | **222** |
| 158 | HRA Share of Corporate and Democratic Core | 157 |
| **(10,516)** | **Net cost of HRA Services** | **379** |
| | **HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement:** | |
| (6) | (Gain)/Loss on Sale of HRA Non-Current Assets | (27) |
| 2,306 | Interest Payable and Similar Charges | 3,219 |
| (6,179) | Capital Grants & Contributions Applied to Capital Financing | (8,313) |
| (14) | Interest and Investment Income | (64) |
| 2 | Pension Past Service Costs (including Curtailments) | 3 |
| 202 | Net Interest Cost/Income on Pension Liabilities/Assets | 461 |
| **(14,205)** | **Surplus for the Year on HRA Services** | **(4,342)** |

**Movement on the Housing Revenue Account Statement**

| 2021/22 £'000 | | Notes | 2022/23 £'000 |
|---|---|---|---|
| (986) | Balance on the HRA at the End of the Previous Year | | (986) |
| (14,205) | Surplus for the Year on HRA Income and Expenditure Statement | | (4,342) |
| 16,791 | Adjustments Between Accounting Basis and Funding Basis Under Statute | 1 | 7,342 |
| (2,586) | Adjustments to Useable Reserves Permitted by Accounting Standards | 2 | (3,000) |
| - | (Increase)/Decrease in Year on the HRA | | - |
| **(986)** | **Balance on the HRA at the End of the Current Year** | | **(986)** |

**Housing Revenue Account Disclosures**

**1. Adjustments between Accounting Basis and Funding Basis under Statute**

| Restated 2021/22 £'000 | | 2022/23 £'000 |
|---|---|---|
| 6 | Gain on Sale of HRA Non-current Assets | 27 |
| 6,179 | Capital Grants & Contributions Applied to Capital Financing | 8,313 |
| (18) | Amortisation of intangible assets | (8) |
| 9,414 | Non-current asset revaluation decreases to CIES | 1,734 |
| (5,841) | Non-current asset depreciation charged to CIES | (6,534) |
| (1,504) | Reversal of items relating to retirement benefits | (3,730) |
| 545 | Employer's pensions contributions | 1,550 |
| 1,958 | Repayment of Debt | 753 |
| 6,053 | Capital Expenditure Funded by the HRA | 5,252 |
| (1) | Transfer to/from Employee Statutory Adjustment Account | (15) |
| **16,791** | **Total** | **7,342** |

**2. Adjustments to Useable Reserves Permitted by Accounting Standards**

| 2021/22 £'000 | | 2022/23 £'000 |
|---|---|---|
| (2,586) | Difference between fair value and historic cost depreciation | (3,000) |
| **(2,586)** | **Total** | **(3,000)** |

**3. Housing Stock**

Stirling Council's housing stock at 31 March 2023 was 5,960 (5,873 at 31 March 2022) in the following categories:

| Property Type | 1 Apt | 2 Apt | 3 Apt | 4 Apt | 5 Apt | 6 Apt+ | Total |
|---|---|---|---|---|---|---|---|
| Bedsit | 22 | - | - | - | - | - | **22** |
| Flat in Close | 605 | 670 | 144 | 1 | - | - | **1,420** |
| Own Door Flat | 407 | 473 | 189 | 72 | - | - | **1,141** |
| Maisonette | - | 70 | 15 | 1 | - | - | **86** |
| Bungalow | 321 | 54 | 26 | 2 | 1 | - | **404** |
| Mid Terrace | 18 | 467 | 458 | 21 | 2 | - | **966** |
| End Terrace/Semi | 28 | 763 | 948 | 166 | 3 | 1 | **1,909** |
| Detached | - | 3 | 3 | 3 | 2 | 1 | **12** |
| | **1,401** | **2,500** | **1,783** | **266** | **8** | **2** | **5,960** |

**4. Rent Arrears**

Rent arrears relating to current tenants in Council dwellings and lockups totalled £1.273m as at 31 March 2023 (£1.352m as at 31 March 2022). Rent arrears relating to former tenants in Council dwellings and lockups totalled £0.948m as at 31 March 2023 (£0.888m as at 31 March 2022). Arrears of £0.186m were written off during the year, which mainly related to former housing tenants.

**5. Movement in the Allowance for Bad Debts**

An accumulated total provision of £1.550m has been made for Bad and Doubtful Debts, of which £1.517m is for dwellings and lockups, with the balance of £0.033m relating to other debtors. This is compared to a total of £1.531m in 2021/22, of which £1.491m was for dwellings and lockups with the balance of £0.040m relating to other debtors.

**6. Rent Lost Due To Empty Properties**

Rent lost as a result of empty properties during the year was £0.487m (2021/22, £0.405m).

# Council Tax Income Account

The council tax income account shows the gross income raised from council taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the authority. The Council raises taxes from its residents through the Council Tax, which is a property tax linked to property values. Each dwelling in the Stirling Council area is placed into one of eight valuation bands (A to H). The Council determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less and higher valued properties (D to F) paying more. Properties can be exempt from Council Tax if they are unoccupied or occupied by certain categories of occupant. A reduction may be applied if a resident is disabled and the property adapted. A discount of 25% is available for properties occupied by one liable person aged 18 years and over.

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| (67,238) | Gross Council Tax Levied and Contributions in Lieu | (69,868) |
| | Adjusted for: | |
| 4,414 | Council Tax Reduction Scheme | 4,505 |
| 9,390 | Other Discounts and Reductions | 9,851 |
| 410 | Write-off of uncollectable debts and allowance for impairment | 401 |
| **(53,024)** | **Net Council Tax Income per the Comprehensive Income and Expenditure Statement** | **(55,111)** |

**Calculation of the Council Tax Base 2022/23**

| | No of Dwellings | Long Term Empty Premium | Exempt Dwellings | Disabled Relief | Discounts 25% | Discounts 50% | Total Dwellings | Ratio to Band D | Band D Equivalents |
|---|---|---|---|---|---|---|---|---|---|
| Band A* | - | - | - | 13 | - | - | **13** | 5/9 | **7** |
| Band A | 5,991 | 30 | (727) | 17 | (716) | (18) | **4,577** | 6/9 | **3,051** |
| Band B | 8,782 | 71 | (648) | (4) | (957) | (20) | **7,224** | 7/9 | **5,619** |
| Band C | 4,686 | 55 | (533) | 8 | (489) | (11) | **3,716** | 8/9 | **3,303** |
| Band D | 5,081 | 44 | (381) | 24 | (505) | (11) | **4,252** | 1 | **4,252** |
| Band E | 6,603 | 34 | (298) | (16) | (491) | (10) | **5,822** | 473/360 | **7,650** |
| Band F | 5,420 | 17 | (156) | 6 | (292) | (6) | **4,989** | 585/360 | **8,107** |
| Band G | 5,506 | 14 | (92) | (41) | (227) | (6) | **5,154** | 705/360 | **10,093** |
| Band H | 745 | 2 | (22) | (7) | (21) | (1) | **696** | 882/360 | **1,705** |

| | |
|---|---|
| **Total** | **43,787** |
| Class 17 dwellings (MoD) | 14 |
| Provision for non-collection | (810) |
| Council Tax Reduction Scheme | (3,311) |
| **Council Tax Base** | **39,680** |

Band A* refers to properties subject to disabled relief

Dwellings fall within a valuation band between A to H, which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to Stirling Council, the band D charge for 2022/23 was £1,384.58 (2021/22, £1,344.28).

Stirling Council charges per band for 2022/23:

| | | | |
|---|---|---|---|
| Band A | £923.05 | Band E | £1,819.18 |
| Band B | £1,076.90 | Band F | £2,249.94 |
| Band C | £1,230.74 | Band G | £2,711.47 |
| Band D | £1,384.58 | Band H | £3,392.22 |

**Council Tax Discount on Second Homes and Long-Term Empty Properties**

From 1 April 2013, local authorities were granted discretion to levy an additional charge of up to 100% of the Council Tax on properties that were empty in excess of 12 months, except in certain circumstances. Stirling Council introduced the full 100% levy from 1 July 2014. The additional income generated from the additional charge has to be retained locally for the provision of new-build affordable social housing to meet locally determined priorities.

# Non-Domestic Rates Income Account

Local authorities collect Non-Domestic Rates (NDR) income which is remitted to the Scottish Government, pooled nationally and re-distributed back to local authorities along with the General Revenue Grant. As local authorities act as an agent of the Scottish Government when collecting NDR, the Code requires that local authorities only recognise a net NDR creditor or debtor due to or from the Scottish Government in the Balance Sheet. The table below outlines the actual levels of NDR collected by Stirling Council and the overall increase/decrease between the rates collected and the amount that Stirling Council is entitled to receive under the National Pooling arrangement.

| Restated 2021/22 £000 | Restated 2021/22 £000 | | 2022/23 £000 | 2022/23 £000 |
|---|---|---|---|---|
| | (60,679) | Gross rates levied and contributions in lieu | | (62,177) |
| 30,053 | | Reliefs and other deductions | 17,636 | |
| 615 | | Provision for bad and doubtful debts | 897 | |
| (19) | | Other adjustments | 3 | |
| | 30,649 | | | 18,536 |
| | **(30,030)** | **Net Non-Domestic Rate Income** | | **(43,641)** |
| | 3,193 | Adjustment to Previous Years Non Domestic Rates | | 628 |
| | (164) | Discretionary Relief charged to General Fund | | (167) |
| | **(27,001)** | **Income for Contribution to National Non-Domestic Rate Pool** | | **(43,180)** |
| 27,001 | | Contribution to National Non-Domestic Rate Pool | 43,180 | |
| (27,158) | | Distribution from National Non-Domestic Rate Pool | (35,942) | |
| | (157) | Net Contribution to/(from) National Non-Domestic Rate Pool | | 7,238 |
| | **(27,158)** | **Net Non-Domestic Rate Income to Comprehensive Income and Expenditure Statement** | | **(35,942)** |

**Net Rateable Value Calculation**

The amount paid for NDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £, which is determined each year by the Scottish Government. The NDR poundage rate set by the Scottish Government for 2022/23 was 49.8p (2021/22, 49.0p). Properties with a rateable value greater than £51,000 are charged a supplement of 1.3p per £, with properties with a rateable value greater than £95,000 being charged a supplement of 2.6p per £. Properties with a rateable value of £18,000 or less may be eligible for Small Business Bonus relief.

The rateable values and numbers of rateable subjects as at 1 April 2022 were:

| Subject Classification | No. of Subjects | % | Rateable Value (£000) | % |
|---|---|---|---|---|
| Commercial | 3,398 | 54.39% | 69,882 | 56.66% |
| Industrial | 1,046 | 16.74% | 16,470 | 13.36% |
| Miscellaneous | 1,717 | 27.49% | 29,416 | 23.85% |
| Formula Valued Subjects | 86 | 1.38% | 7,554 | 6.13% |
| | **6,247** | **100.00%** | **123,322** | **100.00%** |

The comparative rateable values and numbers of rateable subjects as at 1 April 2021 were:

| Subject Classification | No. of Subjects | % | Rateable Value (£000) | % |
|---|---|---|---|---|
| Commercial | 3,390 | 54.77% | 70,094 | 56.61% |
| Industrial | 1,029 | 16.63% | 16,256 | 13.13% |
| Miscellaneous | 1,686 | 27.24% | 29,348 | 23.71% |
| Formula Valued Subjects | 84 | 1.36% | 8,113 | 6.55% |
| | **6,189** | **100.00%** | **123,811** | **100.00%** |

# Common Good Funds

Stirling Council administers the Stirling, Bridge of Allan, Callander and Dunblane Common Good Funds. The respective Common Good Funds must be used for the benefit of the communities of each area. The Scottish Charity Regulator (OSCR) has notified Stirling Council that as of 31 March 2023, each of the Common Good Funds will be removed from the Scottish Charity Register as they no longer meet the charity test in terms of section 30(1)(b) of the 2005 Act.

Common Good Funds do not represent assets of Stirling Council and are not included in Stirling Council's Balance Sheet, but are included in Stirling Council's Group Accounts.

The following tables show the income and expenditure of the Common Good Funds for the year to 31 March 2023, together with the net assets of the Common Good Funds as at 31 March 2023.

**Income and Expenditure Statement for the Year Ended 31 March 2023**

| All figures in £ | Stirling | Bridge of Allan | Callander | Dunblane | 2022/23 Total | 2021/22 Total |
|---|---|---|---|---|---|---|
| Interest from Stirling Council Loans Fund | (20,156) | (11,900) | (211) | (1,055) | (33,322) | (1,007) |
| Rents and Service Charges | (15,933) | - | - | - | (15,933) | (15,909) |
| **Total Income** | **(36,089)** | **(11,900)** | **(211)** | **(1,055)** | **(49,255)** | **(16,916)** |
| Smith Art Gallery Grant | 7,000 | - | - | - | 7,000 | 7,000 |
| Depreciation of Property | 2,567 | - | - | - | 2,567 | 2,567 |
| Upkeep of Property | 3,821 | - | - | - | 3,821 | 1,117 |
| Grant Payment | - | 4,189 | - | - | 4,189 | - |
| **Total Expenditure** | **13,388** | **4,189** | **-** | **-** | **17,577** | **10,684** |
| **Net Movement in Funds** | **(22,701)** | **(7,711)** | **(211)** | **(1,055)** | **(31,678)** | **(6,232)** |
| **Reconciliation of Funds** | | | | | | |
| Net Movement in Funds | (22,701) | (7,711) | (211) | (1,055) | (31,678) | (6,232) |
| Total Funds Brought Forward | (824,880) | (416,271) | (7,314) | (36,655) | (1,285,120) | (1,278,888) |
| **Total Funds Carried Forward** | **(847,581)** | **(423,982)** | **(7,525)** | **(37,710)** | **(1,316,798)** | **(1,285,120)** |

**Balance Sheet as at 31 March 2023**

| All figures in £ | Stirling | Bridge of Allan | Callander | Dunblane | 31 March 2023 Total | 31 March 2022 Total |
|---|---|---|---|---|---|---|
| **Property, Plant & Equipment** | | | | | | |
| Land & Buildings | 132,301 | - | - | - | 132,301 | 134,868 |
| Community Assets | - | - | - | 1 | 1 | 1 |
| **Total Property, Plant & Equipment** | **132,301** | **-** | **-** | **1** | **132,302** | **134,869** |
| **Current Assets** | | | | | | |
| Debtors and Prepayments | 1,291 | - | - | - | 1,291 | 1,291 |
| Cash & Cash Equivalents | 727,989 | 423,982 | 7,525 | 37,709 | 1,197,205 | 1,155,960 |
| **Total Current Assets** | **729,280** | **423,982** | **7,525** | **37,709** | **1,198,496** | **1,157,251** |
| **Current Liabilities** | | | | | | |
| Creditors falling due within 1 Year | (14,000) | - | - | - | (14,000) | (7,000) |
| **Total Current Liabilities** | **(14,000)** | **-** | **-** | **-** | **(14,000)** | **(7,000)** |
| **Total Net Assets** | **847,581** | **423,982** | **7,525** | **37,710** | **1,316,798** | **1,285,120** |
| **Reserves** | | | | | | |
| Revaluation Reserve | (38,158) | - | - | - | (38,158) | (38,158) |
| Usable Reserves | (809,423) | (423,982) | (7,525) | (37,710) | (1,278,640) | (1,246,962) |
| **Total Reserves** | **(847,581)** | **(423,982)** | **(7,525)** | **(37,710)** | **(1,316,798)** | **(1,285,120)** |

Property, Plant & Equipment comprises the Steeple building, King Street, Stirling and Laighills Park, Dunblane.
Cash & Cash Equivalents comprise monies held with Stirling Council Loans Fund.

# Trust Funds

Stirling Council currently administers 11 Charitable Trusts which have arisen mainly as a result of gifts, bequests or donations to be used for the benefit of citizens within the Stirling Council area.

The Council is currently conducting a review of the smaller charitable trusts which it administers with the objective of either reorganising these into fewer charities, or transferring the reserves held to external charitable organisations who may be better placed to meet the purposes for which the trusts were originally established.

Reserves held in the Charitable Trusts have been consolidated within Stirling Council's Group Accounts in accordance with required accounting practice. Detailed accounts of each Charitable Trust are submitted to the Scottish Charity Regulator on an annual basis and are available from the Finance Service Manager (Acting S.95 Officer), Stirling Council.

The figures below summarise the Income and Expenditure arising during the year and the aggregate Assets and Liabilities of the Charitable Trusts at the year end.

**Statement of Financial Activities for the year ended 31 March 2023**

| 2021/22<br>£000 | | 2022/23<br>£000 |
|---|---|---|
| | **Incoming Resources from Generated Funds** | |
| - | Investment Income | (5) |
| **-** | **Total Incoming Resources** | **(5)** |
| | | |
| | **Resources Expended - Charitable Activities** | |
| 1 | Repairs/Energy/Upkeep of Grounds | 1 |
| **1** | **Total Resources Expended** | **1** |
| | | |
| **1** | **Net Movement In Funds** | **(4)** |
| (190) | Total Funds B/fwd | (189) |
| **(189)** | **Total Funds C/fwd** | **(193)** |

**Balance Sheet as at 31 March 2023**

| 31 March<br>2022 | | 31 March<br>2023 |
|---|---|---|
| 355 | Property, Plant & Equipment | 450 |
| **355** | **Long Term Assets** | **450** |
| | | |
| 189 | Cash & Cash Equivalents | 193 |
| **189** | **Current Assets** | **193** |
| | | |
| **544** | **Net Assets** | **643** |
| | | |
| (355) | Revaluation Reserve | (450) |
| (189) | Usable Reserves | (193) |
| **(544)** | **Total Reserves** | **(643)** |

Property, Plant & Equipment comprises the Village Club building, Strathblane. Cash & Cash Equivalents comprise monies held with Stirling Council Loans Fund.

Stirling Council also administers 15 Other Trusts. Funds held in these Trusts do not represent assets of Stirling Council and are not included in Stirling Council's Balance Sheet, nor are they included in Stirling Council's Group Accounts. Other Trust Fund revenue reserves held as at 31 March 2023 are as follows:

| | | 31 March<br>2022<br>£000 | 31 March<br>2023<br>£000 |
|---|---|---|---|
| Welfare Bequests (2 Trusts) | Provision of poor relief and amenity improvements | (9) | (8) |
| Education Bequests (7 Trusts) | Provision of school prizes | (37) | (34) |
| Social Services Funds (6 Trusts) | Residential homes donations and care related activities | (29) | (27) |
| **Total Other Trusts** | | **(75)** | **(69)** |

# Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement combines the Income and Expenditure figures of Stirling Council with Stirling Council's share of the operating results of those entities in which it has a financial interest.

| Restated 2021/22 Gross Spend £000 | Restated 2021/22 Gross Income £000 | Restated 2021/22 Net Spend £000 | | Note | 2022/23 Gross Spend £000 | 2022/23 Gross Income £000 | 2022/23 Net Spend £000 |
|---|---|---|---|---|---|---|---|
| 523 | (72) | 451 | Chief Executive Office | | 462 | (29) | 433 |
| 8,400 | (4,950) | 3,450 | Housing | | 8,603 | (4,854) | 3,749 |
| 19,952 | (3,121) | 16,831 | People & Community Wellbeing | | 19,798 | (4,625) | 15,173 |
| 11,819 | (1,332) | 10,487 | Customer Service and Performance | | 14,140 | (1,948) | 12,192 |
| 14,672 | (2,266) | 12,406 | Children & Families | | 15,790 | (2,738) | 13,052 |
| 133,342 | (21,661) | 111,681 | Schools & Learning | | 140,797 | (19,341) | 121,456 |
| 7,364 | - | 7,364 | Balfron PFI & Stirling Schools PPP | | 8,129 | - | 8,129 |
| 34,807 | (3,375) | 31,432 | Environment and Place | | 36,076 | (4,454) | 31,622 |
| 22,467 | (5,991) | 16,476 | Infrastructure | | 26,842 | (5,904) | 20,938 |
| 527 | (159) | 368 | City Region Deal | | 598 | (146) | 452 |
| 12,222 | (7,733) | 4,489 | Economic Development & Culture | | 13,830 | (7,956) | 5,874 |
| 20,961 | (16,220) | 4,741 | Finance | | 20,628 | (15,576) | 5,052 |
| 3,845 | (1,009) | 2,836 | Governance | | 3,911 | (734) | 3,177 |
| 107,362 | (62,305) | 45,057 | Clackmannanshire and Stirling Health & Social Care Partnership | | 119,215 | (67,738) | 51,477 |
| 988 | - | 988 | Central Scotland Valuation Joint Board | | 1,006 | - | 1,006 |
| 8,709 | (2,816) | 5,893 | Other Operating (Income) & Expenditure | | 13,200 | (8,793) | 4,407 |
| 12 | (16) | (4) | Share of Operating Results of Common Good & Charitable Trusts | | 19 | (16) | 3 |
| - | (3,382) | (3,382) | Net Operating Expenditure/(Income) from Associates, Joint Ventures and Joint Operations | | 1,348 | - | 1,348 |
| **407,972** | **(136,408)** | **271,564** | **Net Cost Of General Services** | | **444,392** | **(144,852)** | **299,540** |
| 12,334 | (22,850) | (10,516) | Housing Revenue Account | | 23,938 | (23,558) | 380 |
| **420,306** | **(159,258)** | **261,048** | **Net Cost of Services** | | **468,330** | **(168,410)** | **299,920** |
| 508 | - | 508 | Other Operating Expenditure | | - | (703) | (703) |
| 20,866 | (791) | 20,075 | Financing & Investment (Income)/Expenditure | | 22,248 | (874) | 21,374 |
| - | (261,788) | (261,788) | Taxation and Non-Specific Grant Income | | - | (279,801) | (279,801) |
| 53 | - | 53 | Tax Expenses | | 53 | - | 53 |
| 1 | - | 1 | Minority Interests | | - | - | - |
| **441,734** | **(421,837)** | **19,897** | **(Surplus)/Deficit on Provision of Services** | 4 | **490,631** | **(449,788)** | **40,843** |
| | | (61,594) | (Surplus)/Deficit Arising on Revaluation of Non-Current Assets (Stirling Council) | | | | (51,559) |
| | | (1,453) | Surplus)/Deficit Arising on Revaluation of Non-Current Assets (Group Entities) | | | | (96) |
| | | (136,961) | Remeasurements of the Net Pension Liability (Stirling Council) | | | | (239,530) |
| | | (5,497) | Remeasurements of the Net Pension Liability (Group Entities) | | | | (14,268) |
| | | **(205,505)** | **Other Comprehensive Income/Expenditure** | MIRS | | | **(305,453)** |
| | | **(185,608)** | **Total Comprehensive Income/Expenditure** | MIRS | | | **(264,610)** |

# Group Movement in Reserves Statement

The Group Movement in Reserves Statement shows the movement in the year on the different reserves held by Stirling Council, together with the movement in Stirling Council's share of those entities in which it has a financial interest.

| **Re-stated** | Note | Stirling Council Usable Reserves £000 | Group Entities Usable Reserves £000 | **Total Group Usable Reserves £000** | Stirling Council Unusable Reserves £000 | Group Entities Unusable Reserves £000 | **Total Group Unusable Reserves £000** | **Total Group Reserves £000** |
|---|---|---|---|---|---|---|---|---|
| **Balance b/fwd at 1 April 2021** | | **(53,641)** | **(7,248)** | **(60,889)** | **(209,593)** | **11,546** | **(198,047)** | **(258,936)** |
| **Movement in Reserves 2021/22** | | | | | | | | |
| Restatement to Opening Balances b/fwd from 2020/21 | | - | (246) | **(246)** | - | (512) | **(512)** | **(758)** |
| (Surplus)/deficit on provision of services | CIES | 21,836 | (1,939) | **19.897** | - | - | **-** | **19,897** |
| Other Comprehensive Expenditure/(Income) | CIES | - | - | - | (198,555) | (6,950) | **(205,505)** | **(205,505)** |
| **Total Comprehensive Expenditure/Income** | CIES | **21,836** | **(1,939)** | **19,897** | **(198,555)** | **(6,950)** | **(205,505)** | **(185,608)** |
| Adjustments to useable reserves permitted by accounting standards | | (1,931) | - | **(1,931)** | 1,931 | - | **1,931** | **-** |
| Adjustments between accounting basis & funding basis under regulations | | (17,547) | (3,407) | **(20,954)** | 17,547 | 3,407 | **20,954** | **-** |
| **Decrease/(Increase)in 2021/22** | | **2,358** | **(5,346)** | **(2,988)** | **(179,077)** | **(3,543)** | **(182,620)** | **(185,608)** |
| **Balance at 31 March 2022** | | **(51,283)** | **(12,840)** | **(64,123)** | **(388,670)** | **7,491** | **(381,179)** | **(445,302)** |
| **Movement in Reserves 2022/23** | | | | | | | | |
| Restatement to Opening Balances b/fwd from 2021/22 | | - | (3,613) | **(3,613)** | - | - | **-** | **(3,613)** |
| Deficit/(surplus)/ on provision of services | CIES | 36,645 | 4,198 | **40,843** | - | - | **-** | **40,843** |
| Other Comprehensive Expenditure/(Income) | CIES | - | - | - | (291,090) | (14,363) | **(305,453)** | **(305,453)** |
| **Total Comprehensive Expenditure/Income** | CIES | **36,645** | **4,198** | **40,843** | **(291,090)** | **(14,363)** | **(305,453)** | **(264,610)** |
| Adjustments to useable reserves permitted by accounting standards | | (7,382) | - | **(7,382)** | 7,382 | - | **7,382** | **-** |
| Adjustments between accounting basis & funding basis under regulations | | (13,576) | (1,219) | **(14,795)** | 13,576 | 1,219 | **14,795** | **-** |
| **Decrease/(Increase) in 2022/23** | | **15,687** | **2,979** | **18,666** | **(270,132)** | **(13,144)** | **(283,276)** | **(264,610)** |
| **Balance at 31 March 2023** | 4 | **(35,596)** | **(13,474)** | **(49,070)** | **(658,802)** | **(5,653)** | **(664,455)** | **(713,525)** |

The Restatement to Opening Balances b/fwd from 2020/21 figure of £0.758m reflects the impact of Stirling Council's disposal of its investment in Thinkwhere Ltd during 2021/22.

The Restatement to Opening Balances b/fwd from 2021/22 figure of £3.614m mainly reflects the impact of a financial restructuring of Stirling Development Agency Ltd during 2022/23, whereby shareholders approved the recapitalisation of the company through conversion of existing shareholder loans to equity.

# Group Balance Sheet

The Group Balance Sheet shows as at 31 March the assets and liabilities of the Group and combines Stirling Council's assets and liabilities with its share of the assets and liabilities of those entities in which it has a financial interest.

| Restated 31 March 2022 £000 | | Note | 31 March 2023 £000 |
|---|---|---|---|
| 3,110 | Intangible Assets | | 2,472 |
| 863,831 | Property, Plant & Equipment | | 924,634 |
| 1,512 | Heritage Assets | | 1,418 |
| 1,183 | Investment Property | | 1,236 |
| 63 | Long Term Investments | | 34 |
| 7,153 | Investments in Associates and Joint Ventures | 3 | 8,975 |
| 4,524 | Long Term Debtors | | 7,671 |
| - | Long Term Asset (Pension) | | 14,656 |
| **881,376** | **Long Term Assets** | | **961,096** |
| 578 | Inventories | | 844 |
| 23,926 | Short Term Debtors | | 23,844 |
| 430 | Short Term Investments | | - |
| 285 | Assets Held for Sale | | - |
| 13,987 | Cash and Cash Equivalents | | 15,596 |
| **39,206** | **Current Assets** | | **40,284** |
| (11,681) | Short Term Borrowing | | (37,631) |
| (65,908) | Short Term Creditors | | (67,172) |
| (1,323) | Short Term Provisions | | (1,382) |
| **(78,912)** | **Current Liabilities** | | **(106,185)** |
| (132,715) | Long Term Borrowing | | (129,552) |
| (47,172) | Finance Lease Liability | | (44,439) |
| (2,232) | Capital Grants Receipts in Advance | | (2,487) |
| (1,281) | Revenue Grants Receipts in Advance | | (1,678) |
| (266) | Long Term Creditors | | (3,491) |
| (1,671) | Liabilities of Associates and Joint Ventures | 3 | - |
| (211,007) | Other Long Term Liability - Pensions | | - |
| **(396,344)** | **Long Term Liabilities** | | **(181,647)** |
| **445,326** | **Net Assets** | | **713,548** |
| (388,670) | Stirling Council Unusable Reserves | MIRS | (658,801) |
| (51,283) | Stirling Council Usable Reserves | MIRS | (35,596) |
| (5,349) | Group Entities' Reserves | MIRS,2,4 | (19,128) |
| **(445,302)** | **Total Group Reserves** | MIRS,2 | **(713,525)** |
| (24) | Minority Interests | | (23) |
| **(445,326)** | **Total Reserves** | | **(713,548)** |

The unaudited accounts were issued on 8 June 2023 and the audited accounts were authorised for issue on 29 August 2024.

George Murphy
Finance Service Manager (Acting S.95 Officer)

# Group Cash Flow Statement

The Group Cash Flow Statement shows the change in the year of cash and cash equivalents of Stirling Council and those entities in which it has a financial interest.

| **Restated 2021/22** | | **2022/23 £000** |
|---|---|---|
| 19,897 | Net Deficit on the Provision of Services | 40,843 |
| 1,866 | Adjust for entities included in the net deficit on the provision of services that are excluded from the group cash flow statement (Associates and Joint Ventures) | (4,322) |
| (71,719) | Adjust net deficit on the provision of services for non-cash movements | (66,776) |
| 18,427 | Adjust for items included in the net deficit on the provision of services that are investing and financing activities | 21,145 |
| **(31,529)** | **Net Cash Inflows from Operating Activities** | **(9,110)** |
| 57,737 | Purchase of property, plant and equipment, investment property and intangible assets | 49,174 |
| (396) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (1,075) |
| (30,248) | Other receipts from investing activities | (27,872) |
| **27,093** | **Net Cash Outflows from Investing Activities** | **20,227** |
| (16,110) | Cash receipts of short and long-term borrowing | (41,115) |
| 28,764 | Cash repayments of short and long-term borrowing | 18,599 |
| 2,531 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 2,552 |
| (160) | Other payments/receipts for financing activities (net contribution to/from NDR Pool) | 7,238 |
| **15,025** | **Net Cash (In)/Outflows from Financing Activities** | **(12,726)** |
| **10,589** | **Net (Increase)/Decrease in Cash and Cash Equivalents** | **(1,609)** |
| 24,576 | Group cash and cash equivalents at the beginning of the reporting period | 13,987 |
| **13,987** | **Group Cash and Cash Equivalents at the End of the Reporting Period** | **15,596** |

The impact of adding Subsidiary Companies, Charitable Trusts and the Stirling, Callander and Bridge of Allan Common Good Funds to the Stirling Council single entity results within the Group Cash Flow Statement is to increase the Cash & Cash Equivalents at the end of the reporting period by £3.349m (2021/22 £4.152m).

| | | |
|---|---|---|
| 9,835 | Cash and Cash Equivalents at the End of the Reporting Period – Stirling Council | 12,247 |
| 4,152 | Cash and Cash Equivalents at the End of the Reporting Period – Group Entities | 3,349 |
| **13,987** | **Group Cash and Cash Equivalents at the End of the Reporting Period** | **15,596** |

# Notes to the Group Financial Statements

## 1. Group Accounting Policies

The Financial Statements in the Group Accounts have been prepared in accordance with Stirling Council's accounting policies. Stirling Council has adopted the recommendations of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts.

Stirling Council has accounted for its interest in each Subsidiary using the acquisition method of accounting. Stirling Council's interest in each Associate has been accounted for using the equity method of accounting. With regard to the Central Scotland Valuation Joint Board, Stirling Council's interest reflects the requisition share paid by Stirling Council. Stirling Council has accounted for its interest in each Joint Venture using the gross equity method of accounting. Uniform accounting policies have been adopted by all group entities with the exception of the basis for accounting for pension fund costs under FRS17/IAS19.

Active Stirling Ltd has not accounted for its pension costs under Financial Reporting Standard 17 (FRS17) given the pension guarantee provided by Stirling Council. Instead, the company accounts for its pension costs under the terms of a defined contribution scheme. As at 31 March 2023 and in respect of their pensions obligations held in the Falkirk Council Pension Fund only, the value of the Defined Benefit Obligation of Active Stirling Ltd was £13.6m (2021/22, £23.2m) and the Fair Value of Plan Assets was £17.8m (2021/22, £17.1m). The Net Asset was therefore £4.2m (2021/22, Net Liability £6.1m) with Stirling Council's share as sole member represented by these sums. These figures have been calculated using the same assumptions and methodology underlying the provision of Stirling Council's pension obligations. Stirling Council has accounted for the Active Stirling Ltd pension liability and corresponding pension reserve in the Group Balance Sheet, together with relevant adjustments in the Group Comprehensive Income and Expenditure Statement.

**Combining Entities**

Recognition has been made of Stirling Council's controlling interest in six Subsidiary companies. Active Stirling Ltd is treated as a subsidiary on account of it being a Charitable Leisure Trust over which Stirling Council is the sole member. Raploch URC Ltd and Stirling Community Enterprise Ltd (formerly Raploch URC (Landholdings) Ltd) have also been consolidated as Subsidiaries as Stirling Council is the sole Member on the Board of Directors and therefore has effective control. Stirling Council also has effective control over the Stirling, Callander, Bridge of Allan and Dunblane Common Good Funds and a number of Charitable Trusts, which it administers as sole trustee and, as such, these are also treated as Subsidiaries in the Group Accounts. Stirling Council also consolidates its interests in one Associate and three Joint Ventures. The Accounting period end for all entities is the 31 March 2023. Copies of the most recent audited accounts of the combining entities are available from the Finance Service Manager (Acting S.95 Officer), Stirling Council. The % share of each combining entity's financial results (after taking account of Minority Interests) is as follows:

| | Basis for Consolidation Treatment | Group Share 2021/22 % | Net Exp/(Inc) 2021/22 £000 | Net Assets/ (Liabilities) 2021/22 £000 | Group Share 2022/23 % | Net Exp/(Inc) 2022/23 £000 | Net Assets/ (Liabilities) 2022/23 £000 |
|---|---|---|---|---|---|---|---|
| ***Subsidiaries*** | | | | | | | |
| Active Stirling Ltd | Sole Member | 100% | (2,652) | (6,107) | 100% | (10,330) | 4,223 |
| Raploch URC Ltd | Sole Member | 100% | (46) | 1,366 | 100% | 131 | 1,235 |
| Stirling Community Enterprise Ltd | Sole Member | 100% | (78) | 126 | 100% | 66 | 60 |
| Steadfast Homes LLP | Voting Rights | 100% | (1,437) | 1,527 | 100% | (77) | 1,604 |
| Stirling Business Centre Ltd | Voting Rights | 91.45% | (7) | 246 | 91.45% | 4 | 242 |
| Stirling Technology Projects Ltd | Sole Member | 100% | 30 | 879 | 100% | 51 | 828 |
| Common Good Funds | Sole Trustee | 100% | (6) | 1,285 | 100% | (32) | 1,317 |
| Charitable Trust Funds | Sole Trustee | 100% | 20 | 544 | 100% | (99) | 643 |
| ***Associates*** | | | | | | | |
| Central Scotland Valuation Joint Board | Requisition | 35.4% | (1,217) | (1,671) | 35.4% | (2,726) | 1,055 |
| ***Joint Ventures*** | | | | | | | |
| Stirling Development Agency Ltd | Voting Rights | 50% | - | - | 50% | 1,453 | 2,161 |
| Stirling University Innovation Park Ltd | Voting Rights | 50% | 13 | 92 | 50% | 14 | 78 |
| Clackmannanshire and Stirling IJB | Voting Rights | 25% | (3,509) | 7,062 | 25% | 1,380 | 5,682 |
| **Total Consolidated Group Entities** | | | **(8,889)** | **5,349** | | **(10,165)** | **19,128** |
| **Stirling Council** | | | **(176,719)** | **439,953** | | **(254,444)** | **694,397** |
| **Group Financial Statements** | | | **(185,608)** | **445,302** | | **(264,609)** | **713,525** |
| Total Consolidated Group Entities (as above) | | | | 5,349 | | | 19,128 |
| Minority Interests | | | | (24) | | | (23) |
| **Group Entities' Reserves** | | | | **5,325** | | | **19,105** |

The principal place of business and country of incorporation of all subsidiaries, associated and joint ventures is Stirling, Scotland / United Kingdom.

**Subsidiaries**

***Active Stirling Limited***

Since 31 March 2006, Active Stirling Ltd, being a company limited by guarantee and having charitable status, has operated and managed Stirling Council's sport and leisure facilities including leisure centres, pavilions and sports pitches in accordance to a service level agreement with Stirling Council. The main venue is the Stirling Sports Village and Peak Facility at Forthbank. The land and buildings operated and managed by Active Stirling remain in Stirling Council's ownership.

***Raploch Urban Regeneration Company Ltd***

The principal activity of the company is the promotion for the public benefit of urban regeneration in areas of social and economic deprivation, in particular within the area of Raploch, Stirling. The company is limited by guarantee and has been granted tax exemption status as a charity by the Inland Revenue. The company has one wholly owned subsidiary, Stirling Community Enterprise Ltd (formerly Raploch Urban Regeneration Company Landholdings Ltd).

***Stirling Community Enterprise Ltd (formerly Raploch Urban Regeneration Company Landholdings Ltd)***

Stirling Community Enterprise Ltd is a wholly owned subsidiary of Raploch Urban Regeneration Company Ltd. The Board revisited the company's objectives as part of a 10 year business planning exercise and agreed that the main focus of the company would transfer to social and economic rather than physical regeneration, with a strong emphasis on the provision of education and skills training to support clients towards and into the workplace.

As part of this arrangement, the company transferred the vast majority of its landholdings to Stirling Council, leaving one site in development and another potential development site at the planning stage. To reflect the nature of the company's business it was decided that the company should change its name, effective from 22 January 2018.

***Steadfast Homes LLP***

Steadfast Homes LLP ("Steadfast") is a limited liability partnership, originally constituted between Stirling Council and the Scottish Futures Trust (SFT), supported by the Scottish Government as guarantor, to deliver Mid-Market rent properties within the local authority area. Stirling Council also had a similar arrangement under Stirling Waterfront NHT 2011 LLP ("Waterfront") whereby the intention was that this LLP would only remain in existence for a period of up to 10 years, as the properties held would be sold by this point.

The original governance documents for both Steadfast and Waterfront always envisaged an exit by SFT and during 2021/22 this exit was implemented by the parties. This involved the re-financing of existing borrowing by Steadfast and the transfer of assets held by Waterfront to Steadfast, and the subsequent winding up of Waterfront. As a LLP, corporate law requires a minimum of 2 members therefore, it was agreed that the rights and obligations held by SFT would be transferred to a new company, Strevelin Homes Ltd.

On completion of the above transactions, the Council's mid-market rent portfolio is now held in Steadfast Homes LLP, which is ultimately controlled by the Council.

***Strevelin Homes Ltd***

Stevelin Homes Ltd is a dormant limited company, established to preserve the LLP status of Steadfast Homes LLP. It is a sole member company, with full shares held by the Council. Whilst it would be classed as a subsidiary, there is no expectation of it holding any assets, or incurring any income or expenditure.

***Stirling Business Centre Limited***

The company's principal activity is to promote and encourage industrial and commercial activity and enterprise in Stirling district and to make available accommodation for letting. Stirling Council has entered into a lease with the company of the Stirling Business Centre at Wellgreen Road, Stirling and of Enterprise House at Springkerse Business Park, Stirling.

***Stirling Technology Projects Limited***

The company was formed for the single purpose of providing an extension to the building occupied by BioReliance Ltd at Stirling University Innovation Park and thereafter leasing the whole building to BioReliance Ltd. BioReliance Ltd took entry to the building provided by the company in May 1999 at which point the company began to trade. Stirling Council acts as guarantor in respect of the company's obligations under its bank loan agreement. At 31 March 2023 the sum guaranteed was £0.266m (31 March 2022, £0.466m).

**Associates**

***Central Scotland Valuation Joint Board***

Central Scotland Valuation Joint Board is the statutory body responsible for maintaining the electoral, council tax and non-domestic rate registers for Stirling, Falkirk and Clackmannanshire Councils.

**Joint Ventures**

***Stirling Development Agency Ltd***

This is a joint venture company whose principal activity is the development and refurbishment of commercial, industrial and residential properties. The company was formed in March 2008 as a result of the restructuring of City of Stirling Business Parks (Investments) Limited. During 2022/23, shareholders approved the recapitalisation of the company through conversion of shareholder loans to equity.

***Stirling University Innovation Park Ltd***

The principal activity of the company is the development, promotion, marketing, use and management of Stirling University Innovation Park.

***Clackmannanshire and Stirling Integration Joint Board***

Clackmannanshire and Stirling Integration Joint Board (IJB) is a statutory body established to integrate health and social care services between Clackmannanshire Council, Stirling Council and NHS Forth Valley. The contribution provided by Stirling Council to the IJB in 2022/23 was £48.0m, of which £47.2m was funded from General Fund and £0.8m from Housing Revenue Account. The comparative 2021/22 figures were a contribution of £41.1m, of which £40.3m was funded from General Fund and £0.8m from Housing Revenue Account. The IJB Board comprises twelve voting members with three (25%) made up of Stirling Council Elected Members.

## 2. Non-Consolidation Interests in Other Entities

The principal activity of **Stirling Enterprise Park Ltd**, is to promote and encourage industrial and commercial activity and enterprise and to make available accommodation for letting.

Stirling Council holds the majority of equity capital in Stirling Enterprise Park Ltd, but under normal practices it does not control the majority of voting rights, nor does it have the right to appoint the majority of the governing board. However, in the event of a poll being demanded at a Board meeting, Stirling Council would have ultimate control being the major shareholder, as it is entitled to one vote for each share held, in accordance with the Company's Articles of Association. Under these circumstances it would have been appropriate to account for Stirling Enterprise Park Ltd as a Subsidiary within the group accounts of Stirling Council. However, the reason for exclusion from consolidation is that Stirling Council has neither access to future economic benefits, nor access to benefits in the form of service potential through its interest in Stirling Enterprise Park Ltd.

In accordance with the Memorandum of Association of Stirling Enterprise Park Ltd, Stirling Council does not have the power to extract distributions of assets from the Company. Also, in accordance with the Company's Articles of Association, although Stirling Council has the power to dissolve the Company, it does not however have power to obtain a significant level of the residual economic benefits and is not exposed to the risks inherent in those benefits.

Stirling Council also has an interest in **McLaren Community Leisure Centre (Trading) Ltd**, which operates the McLaren Leisure Centre in Callander. However, due to the immaterial nature of Stirling Council's participation and the fact that it is unable to exert a significant influence over the entity, the decision has been taken not to consolidate.

## 3. Financial Results of Associates and Joint Ventures

The aggregate amounts of assets, liabilities, gross income and surplus or deficit for the year of Stirling Council's Associates and Joint Ventures are shown in the following table.

| 31 March 2022 | | | 31 March 2023 | |
|---|---|---|---|---|
| **Aggregate of Associates and Joint Ventures Results** | **Stirling Council Share** | | **Aggregate of Associates and Joint Ventures Results** | **Stirling Council Share** |
| **£000** | **£000** | | **£000** | **£000** |
| 465 | 225 | Non-Current Assets | 409 | 198 |
| 29,510 | 7,530 | Current Assets | 29,128 | 8,726 |
| (869) | (360) | Liabilities Due In One Year | (1,663) | (765) |
| (19) | (10) | Liabilities Due After One Year | (17) | (8) |
| (5,376) | (1,903) | Pension Assets/(Liabilities) | 2,327 | 824 |
| **23,711** | **5,482** | **Net Assets/(Liabilities)** | **30,184** | **8,975** |
| **(201,895)** | **(50,622)** | **Gross Income (Turnover)** | **(213,550)** | **(54,949)** |
| (13,508) | (3,318) | (Surplus)/Deficit on Provision of Services | 5,947 | 1,521 |
| (3,939) | (1,395) | Other Comprehensive (Income)/Expenditure | (8,196) | (2,901) |
| **(17,447)** | **(4,713)** | **Total Comprehensive (Income)/Expenditure** | **(2,249)** | **(1,380)** |

The 'Stirling Council share of 'Net Assets/( Liabilities)' figure shown above represent the sum of two figures disclosed in the Group Balance Sheet: 'Investment in Associates and Joint Ventures' and 'Liabilities of Associates and Joint Ventures' as follows:

| 31 March 2022 | | 31 March 2023 |
|---|---|---|
| **£000** | | **£000** |
| 7,153 | Investment in Associates and Joint Ventures | 8,975 |
| (1,671) | Liabilities of Associates and Joint Ventures | - |
| **5,482** | | **8,975** |

The Pension Assets/Liabilities figures outlined above can be broken down between individual entities as follows:

| 31 March 2022 | | | 31 March 2023 | |
|---|---|---|---|---|
| Aggregate of Associates & JVs Results £000 | Stirling Council Share £000 | | Aggregate of Associates & JV's Results £000 | Stirling Council Share £000 |
| (5,376) | (1,903) | Central Scotland Valuation Joint Board | 2,327 | 824 |
| **(5,376)** | **(1,903)** | **Pension Assets/(Liabilities)** | **2,327** | **824** |

## 4. Financial Impact of Group Consolidation

The effect of including the group entities on the Group Comprehensive Income and Expenditure Statement is to increase the Deficit on Provision of Services by £4.198m (2021/22, reduce deficit by £1.939m) as follows:

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| Fees, Charges & Other Service Income | (5,161) | (6,187) |
| Net Operating Income from Associates and Joint Ventures | (3,382) | - |
| Interest and Investment Income | (2) | (44) |
| **Total Income** | **(8,545)** | **(6,231)** |
| | | |
| Service Expenses | 6,534 | 7,395 |
| Interest Payments | 8 | 13 |
| Net Operating Expenditure from Associates and Joint Ventures | - | 1,348 |
| Net Non-Operating Expenditure from Associates and Joint Ventures | 64 | 1,673 |
| **Total Expenditure** | **6,606** | **10,429** |
| **Deficit/(Surplus) on the Provision of Services (Group Entities)** | **(1,939)** | **4,198** |
| **Deficit on the Provision of Services (Stirling Council)** | **21,836** | **36,645** |
| **Deficit on the Provision of Services (Group CIES)** | **19,897** | **40,843** |

The effect of including the group entities on the Group Balance Sheet is to increase both Reserves and Net Assets (excluding minority interests) by £19.128m (increase by £5.349m, 2021/22) as follows:

| 31 March 2022 £000 | | 31 March 2023 £000 |
|---|---|---|
| | **Unusable Reserves** | |
| (146) | Capital Adjustment Account | (143) |
| (393) | Revaluation Reserve | (489) |
| 8,023 | Pension Reserve | (5,034) |
| 6 | Employee Statutory Adjustment Account (Employee Benefits) | 12 |
| **7,490** | **Group Entities' Unusable Reserves** | **(5,654)** |
| | | |
| | **Usable Reserves** | |
| (12,839) | Revenue Reserves | (13,474) |
| **(12,839)** | **Group Entities' Usable Reserves** | **(13,474)** |
| | | |
| **(5,349)** | **Total Group Entities' Reserves** | **(19,128)** |

# Glossary of Terms

While much of the terminology used in this document is intended to be self-explanatory, the following additional definitions and interpretation of terms may be of assistance.

**1. Accounting Period**
The period of time covered by the accounts, normally a period of twelve months commencing on 1 April.

**2. Actuarial Gains and Losses (Pensions)**
Changes in actuarial deficits or surpluses that arise because events have not coincided with previous actuarial assumptions or actuarial assumptions have changed.

**3. Asset**
An asset is categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset will provide benefit to Stirling Council and to the Services it provides for a period of more than one year.

**4. Associate**
An entity in which Stirling Council has a participating interest or over whose operating and financial policies Stirling Council is able to exercise significant influence.

**5. Capital Adjustment Account**
The Capital Adjustment Account relates to amounts set aside from capital resources to meet past expenditure.

**6. Capital Expenditure**
Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing non-current asset.

**7. Capital Financing**
The various methods used to finance capital expenditure such as borrowing, leasing, capital receipts, capital grants and use of revenue funding.

**8. Capital Grants Unapplied Account**
The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which Stirling Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

**9. Capital Receipt**
Proceeds from the disposal of land or other non-current assets.

**10. Capital Receipts Reserve**
The Capital Receipts Reserve represents the proceeds from non-current asset disposals not yet used and are available to meet future capital investment.

**11. Community Assets**
Assets that Stirling Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal, such as municipal parks.

**12. Corporate and Democratic Core**
The Corporate and Democratic Core comprises all activities, which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are therefore over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service.

**13. Creditor**
Amounts owed by Stirling Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

**14. Current Service Cost (Pensions)**
The increase in the present value of a defined benefit scheme's liabilities, expected to arise from employee service in the current period.

**15. Debtor**
Amount owed to Stirling Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

**16. Defined Benefit Pension Scheme**
Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**17. Depreciation**
The measure of the cost of wearing out, consumption or other reduction in the useful economic life of Stirling Council's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

**18. Discretionary Benefits (Pensions)**
Retirement awards, which the employer has no legal, contractual or constructive obligation to award and are awarded under Stirling Council's discretionary powers.

**19. Employee Statutory Adjustment Account**
The Employee Statutory Adjustment Account, which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

**20. Entity**
A body corporate, partnership, trust, unincorporated association, or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

**21. Events after the Balance Sheet Date**
Those events both favourable and unfavourable that occur between the Balance Sheet date and the date when the Annual Accounts are signed.

**22. Fair Value**
The fair value of an asset is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**23. Financial Instruments Adjustment Account**
The Financial Instruments Adjustment Account is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by Stirling Council.

**24. Finance Lease**
A lease that transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee.

**25. Government Grants**
Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of Stirling Council. These grants may be specific to a particular scheme or may support the revenue or capital spend of Stirling Council in general.

**26. Gross Expenditure**
This includes all expenditure attributable to the service and activity including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges.

**27. Gross Income**
This includes grant income and all charges to individuals and organisations for the direct use of Stirling Council's services.

**28. Heritage Asset**
An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

**29. Impairment**
A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

**30. Infrastructure Assets**
Assets belonging to Stirling Council represented by highways, footpaths and bridges.

**31. Insurance Fund**
The Insurance Fund covers the main classes of insurance and is earmarked for insurance purposes.

**32. Interest Cost (Pensions)**
For a defined benefit scheme, the expected increase during the period of the scheme liabilities because the benefits are one period closer to settlement.

**33. Inventories**
Items of raw materials and stock Stirling Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

**34. Joint Venture**
An entity in which Stirling Council has an interest on a long-term basis and is jointly controlled by Stirling Council and one or more entities under a contractual or other binding agreement.

**35. Liability**
A liability is where Stirling Council owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A long-term liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

**36. National Non-Domestic Rates Pool**
All Non Domestic Rates collected by local authorities are remitted to the national pool and thereafter distributed to Councils by the Scottish Government.

**37. Net Book Value**
The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**38. Non-Current Assets**
These are created by capital expenditure incurred by Stirling Council. They include property, vehicles, plant, machinery, roads, computer equipment, etc.

**39. Non-Distributed Costs**
Costs that cannot be allocated to specific services and are, therefore, excluded from the total cost relating to Service activity in

accordance with the Service Reporting Code of Practice. Charges for added pension years and early retirement are examples of these costs.

**40. Operating Lease**
A lease where the ownership of a non-current asset remains with the lessor.

**41. Past Service Cost (Pensions)**
For a defined benefit scheme, the increase in the present value of the scheme liabilities relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

**42. Pension Reserve**
The Pension Reserve arises from the AIS19 accounting disclosures for retirement benefits and recognises Stirling Council's share of actuarial gains and losses in the Falkirk Pension Fund and the change in Stirling Council's share of the Pension Fund net liability chargeable to the Comprehensive Income and Expenditure Statement.

**43. Pension Scheme Liabilities**
The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. The scheme liabilities, measured using the "projected unit method" reflect the benefits that the employer is committed to provide for service up to the valuation date.

**44. Post-Employment Benefits**
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment (e.g. pensions in retirement).

**45. Prior Year Adjustment**
Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**46. Provision**
An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

**47. Public Works Loan Board (PWLB)**
A Central Government Agency, which provides loans for one year and above to Councils at interest rates only based on those at which the Government can borrow itself.

**48. Rateable Value**
The annual assumed rental of a non-housing property, which is for national Non Domestic Rates purposes.

**49. Related Parties**
Entities or individuals that have the potential to control or influence Stirling Council, or to be controlled or influenced by Stirling Council.

**50. Remuneration**
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

**51. Repairs and Renewal Fund**
The Repairs and Renewal Fund provides for major repairs to the Waste Transfer Station at Lower Polmaise and Stirling Council's sports facilities.

**52. Reserves**
The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of Stirling Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

**53. Residual Value**
The net realisable value of an asset at the end of its useful life.

**54. Revaluation Reserve**
The Revaluation Reserve represents the store of gains on revaluation of non current assets not yet realised through sales.

**55. Revenue Expenditure**
The day-to-day running costs associated with the provision of services.

**56. Significant Interest**
The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy and/or operational decisions.

**57. Soft Loan**
A loan made by Stirling Council to another entity at an interest rate significantly below market interest rates.

**58. Subsidiary**
An entity over which Stirling Council has overall control through the power to govern its financial and operating policies so as to obtain benefits from the entity's activities.

**Stirling Council**

Agenda Item No. 14

Audit Committee

Date of Meeting: 29 August 2024

Not Exempt

# Annual Report to Those Charged with Governance and the Controller of Audit for Financial Year End 31 March 2023

## Purpose

The purpose of this report is to present the external auditor's report on the 2022/23 audit.

The International Standards on Auditing (UK and Ireland) 260 (ISA 260) place a responsibility on appointed external auditors to report specific matters arising from the audit of the financial statements to those charged with governance in sufficient time to enable appropriate action to be taken. In terms of the Scheme of Delegation, the Audit Committee has responsibility for considering the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

## Recommendations

Audit Committee is asked to:

1. note and take assurance from the 2022/23 Annual Audit Report;
2. note the audit findings and recommendations and consider management's response to those recommendations;
3. approve the content of the Letter of Representation; and
4. note and take assurance from the 2022/23 report on Best Value thematic work.

## Resource Implications

The fee for the 2022/23 audit of Stirling Council is £289,140 (2021/22: £254,870). In addition, the fee for the audit of the Charitable Trust accounts administered by Stirling Council is £8,000 (2021/22: £1,367).

The Council's external auditor, Deloitte LLP, has written to the council seeking additional fees on top of the £289,140 expected fee. This additional fee request is currently subject to further discussion.

## Legal & Risk Implications

In terms of Appendix 5a of the Scheme of Delegation, the Audit Committee has responsibility for considering the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

# 1. Background

1.1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action to be taken.

1.2. Appendix 1 to this report contains the Audit Certificate which provides an unqualified opinion on the accounts.

1.3. The Council is required to provide a Letter of Representation to the auditor as part of audit procedures prior to the signing of the financial statements. A draft letter for approval is presented at Appendix 2 and will be signed by the Council's Finance Service Manager as acting Section 95 Officer.

1.4. Appendix 3 to this report contains the 2022/23 Annual Audit Report, which identifies significant findings from the financial statements audit. The report outlines recommendations for improvement, including management's response to those recommendations. It also sets out the position in relation to the follow up of prior year recommendations.

1.5. Appendix 4 to this report contains the 2022/23 report on Best Value thematic work, which concludes on the effectiveness of the Council's leadership of the development of the Council's strategic priorities, following the most recent local government elections.

# 2. Considerations

**2022/23 Annual Audit Report**

2.1 Key messages from the proposed 2022/23 Annual Audit Report are as follows:

**Conclusions from Audit Testing**

2.1.1 Based on audit work carried out, the external auditor expects to issue an unmodified Audit Certificate.

2.1.2 The Management Commentary and Annual Governance Statement comply with the statutory guidance and proper practice and are consistent with the Annual Accounts and the external auditor's knowledge of the Council.

2.1.3 The auditable parts of the Remuneration Report have been prepared in accordance with the relevant regulation.

2.1.4 A summary of the external auditor's work on the significant risks is provided in the dashboard on pages 7 and 8 of the Audit Report.

2.1.5 No material errors have been identified and there are no uncorrected misstatements. Three corrected misstatements in excess of the reporting threshold of £250,000 have been identified and included within the Appendix to the Audit Report. These have no impact on the General Fund of the Council.

2.1.6 An agreed Action Plan is included on pages 59-71 of the report, including a follow up of progress against prior year actions.

**Financial Management**

2.1.7 The auditor concluded that effective budget setting and monitoring arrangements are in place. They did, however, recommend that the capital budget setting and monitoring arrangements should be further reviewed to help ensure that realistic budgets are set with clear timelines and a clear linkage to Council priorities. The auditor recognises that development of a Capital Strategy is a positive step. The auditor is of the opinion that, due to the pressures of implementing the ERP system, there is a significant capacity constraint within the finance team to support the financial management arrangements within the Council. This is not borne out in the overarching conclusions reached by the auditor. The external auditor has advised that they will, however, continue to monitor this through the audit appointment.

**Financial Sustainability**

2.1.8 The auditor notes that financial balance was achieved in 2022/23 and budgeted in 2023/24. They do, however, also note that this was by using one-off solutions including use of reserves. In November 2023 the level of uncommitted reserves was projected to reduce to below the Council's minimum level and significant funding gaps are projected over the next two years. The uncommitted reserve position has, however, improved as of February 2024 and is now in line with the Council's upper target level. The auditor notes that there remains a risk that the Council is not financially sustainable and urgent action is required.

2.1.9 The plans to develop a Medium-Term Financial Plan and the early engagement in preparing for the 2024/25 budget are positive steps. The Council is faced with having to make difficult decisions to achieve financial sustainability, therefore, it is critical that the early engagement and buy-in of elected members and the public is progressed.

2.1.10 The work being done as part of the refreshed transformation themes are also positive steps, however, significant work is still required to make the level of transformation change needed. There have been significant delays in implementing the ERP system, which forms part of the Council's transformation change programme. There remains a significant risk in relation to fully implementing the ERP system. A Business Change Strategy and Plan needs to be developed to ensure successful delivery of the expected benefits of the project.

**Vision, Leadership and Governance**

2.1.11 The external auditor's view of the vision and leadership of the Council has been considered as part of the separate management report "Best Value thematic work 2022/23".

2.1.12 The auditor concluded that effective governance arrangements are in place, including the updated Local Code of Corporate Governance and an effective Audit Committee. They did, however, recommend that, in line with best practice, the Audit Committee should carry out an annual self-assessment to allow it to identify any training needs or changes to the Committee.

2.1.13 They concluded that the Council continues to be open and transparent.

**Use of Resources to Improve Outcomes**

2.1.14 The external auditor's view on the Council's performance management framework has been considered as part of the separate management report "Best Value thematic work 2022/23".

2.1.15 The auditor concluded that there are appropriate arrangements in place to comply with the Statutory Performance Indicator (SPI) Direction, including its public performance reporting requirements.

**Best Value**

2.1.16 The external auditor concluded that the Council has an appropriate and effective best value framework in place and has continued to make positive progress in addressing the recommendations contained in the 2019 BVAR. They state that the Council has a clear understanding of areas which require development.

**Climate Change**

2.1.17 The auditor has concluded that the Council has a comprehensive Climate and Nature Emergency Plan and is reporting annually in accordance with the regulation and legislation. Detailed governance arrangements are in place, with improvement recommended as part of a recent Internal Audit review. They have, however, pointed out that it is essential that detailed delivery plans are developed so that the Council is transparent about the gaps and challenges that exist in achieving its targets.

**Cyber Risk**

2.1.18 The auditors have obtained an understanding of the Council's cyber risk management programme and internal controls in relation to cyber risk. No issues have been noted. It is important that the internal audit review is progressed as planned in 2023/24 to assess the appropriateness of the cyber security arrangements in place.

**Quality Indicators**

2.1.19 A summary of the external auditor's opinion on the execution of audit work is set out in a dashboard on pages 7 and 8 of the Audit Report. The dashboard outlines various 'quality indicators' which the auditor has used to assess the Council's contribution to the audit process. Two metrics were given a green ('mature') grading, four metrics were given an amber ('developing') grading, and one metric was given a red ('lagging') grading.

2.1.20 Officers are disappointed and disagree with the auditor's findings. It is the view of officers that the findings are unbalanced and do not reflect the need for both auditee **and** auditor to adapt to a new audit appointment and to communicate and collaborate constructively from the outset to ensure that expectations are aligned.

2.1.21 Officers have highlighted to the auditors that in the previous year's audit report (i.e. 2021/22), Audit Scotland explicitly commended the Council regarding the 'high standard' of accounts and working papers. The quality of Council working papers has not changed in the intervening period.

2.1.22 Recognising the above, constructive discussions have been held between Council officers and auditors as part of planning for the 2023/24 audit and agreed new arrangements including more face to face contact and regular check in meetings.

**2022/23 Best Value Thematic Work**

2.2 Key messages from the 2022/23 Best Value Thematic Work Report included in Appendix 4 are as follows:

2.2.1 The Council has a clear vision supported by revised priorities which were agreed in December 2022. An Outcome Based Accountability framework has been agreed, with a series of KPIs recently approved and aligned to the new priorities.

2.2.2 The Council has engaged with citizens and communities when developing the priorities but has recognised that increased engagement is required given the financial challenges.

2.2.3 The Council's priorities have a focus on the need to reduce inequalities and its climate change commitments. A revised approach to its equality impact assessment process has recently been implemented to include socio-economic considerations following an update to the Fairer Scotland Duty in 2022.

2.2.4 Comprehensive service plans are still to be developed to align to the Council's priorities following the approval of the 3-year business plan in May 2024. A Capital Strategy has recently been approved, with a Medium-Term Financial Plan currently being developed and an updated Workforce Strategy planned for later in 2024.

2.2.5 The leadership (both political and officer) has been effective in setting clear priorities but now needs to demonstrate sustainable plans for delivering them.

2.2.6 The Council's improvement actions from this review are included at Appendix 1 of the report. It sets out the Council's response to audit recommendations made.

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required as the report is a technical report presenting the 2022/23 Stirling Council Annual and Best Value Thematic Work reports and does not have any implications on current policies or service delivery.

### Climate Change, Sustainability and Environmental Impact

3.2 There is no impact on the Council's duty relating to climate change, nor is there any direct sustainability or environmental impact as a result of this report.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

**External Consultations**

3.4 None.

## 4. Background Papers

4.1 None.

## 5. Appendices

5.1 Appendix 1 - Stirling Council proposed Audit Certificate.

5.2 Appendix 2 - Stirling Council proposed Letter of Representation.

5.3 Appendix 3 - Stirling Council ISA260 Audit Report.

5.4 Appendix 4 - Stirling Council Best Value Thematic Work Report

Author(s)

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Approved by

| Name | Designation | Date |
|---|---|---|
| Caroline Sinclair | Chief Executive | 19 August 2024 |

| | |
|---|---|
| Details of Convener(s)and Vice Convener(s) consulted on this report: | Cllr Scott Farmer<br>Cllr Rosemary Fraser |

| | |
|---|---|
| Wards affected: | Not applicable |
| Key Priorities: | 4. Developing a competitive and thriving sustainable local economy across Stirling. |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | Prosperous - People are part of a prosperous economy that promotes inclusive growth opportunities across our communities |

# Independent auditor's report to the members of Stirling Council and the Accounts Commission

## Reporting on the audit of the financial statements

### Opinion on financial statements

We certify that We have audited the financial statements in the annual accounts of Stirling Council and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash Flow Statement, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-domestic Rate Account, the Common Good Funds and Trusts, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2023 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

### Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence We have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, we report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

## Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that We identified and our judgements thereon.

## Responsibilities of the Finance Service Manager (Acting S.95 Officer) and Stirling Council for the financial statements

As explained more fully in the Statement of Responsibilities, the Finance Service Manager (Acting S.95 Officer) is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Finance Service Manager (Acting S.95 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Finance Service Manager (Acting S.95 Officer) is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The Stirling Council Audit Committee is responsible for overseeing the financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined

above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;

- considering the nature of the board's control environment and reviewing the board's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired with management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities;

- inquiring of the Finance Service Manager (Acting S.95 Officer) as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;

- inquiring of the Finance Service Manager (Acting S.95 Officer) concerning the policies and procedures of the councils and its group regarding compliance with the applicable legal and regulatory framework;

- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003 and the Public Bodes (Joint Working) Scotland Act 2014.

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These included the Data Protection Act 2018 and relevant employment legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud was in relation to the capital expenditure. Where the Council develops properties as part of its capital programme, determining whether or not expenditure should be capitalised can involve judgement as to whether the costs should be capitalised under IFRS. The increasing pressures on the revenue budgets increases the risk of amounts being incorrectly capitalised. In response to this work, we have evaluated significant judgements made by

management in regards to capital projects, including the capitalisation of staff costs and other project development costs. In addition, we have tested a sample of capital expenditure to confirm that they have been correctly capitalised.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and internal legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

## Reporting on other requirements

### Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

We have audited the parts of the Remuneration Report described as audited. In our opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

### Other information

The Finance Service Manager (Acting S.95 Officer) is responsible for the other information in the annual accounts. The other information comprises the

Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

**Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and

- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

## Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or

- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or

- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

## Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

## Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom

29 August 2024

Appendix 2

Stirling Council
Viewforth
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Tel. 01786 233356
E-mail. murphyg@stirling.gov.uk
Your ref: PK/SC/2023

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom

Dear Pat Kenny

**Stirling Council**
**Annual Accounts 2022/23**

This representation letter is provided in connection with your audit of the financial statements of Stirling Council ('the entity') for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the entity as of 31 March 2023 and of the results of its operations, other comprehensive net expenditure and its cash flows for the year then ended in accordance with the applicable accounting framework as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom.

In addition to the above, this representation letter is provided in connection with your audit of the other information in the Annual Report and Accounts, for the purposes set out in the Code of Audit Practice 2021.

We are aware that it is an offence to mislead an auditor of a public body.

On behalf of the entity, I confirm as Finance Service Manager (Acting S.95 Officer), to the best of my knowledge and belief, the following representations.

**Financial Statements**

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework, as set out in the the Code of Practice on Local Authority Accounting in the United Kingdom, which give a true and fair view, as set out in the terms of the audit engagement letter.
2. The methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. We confirm that the list included in your ISA 260 report to those charged with governance is a complete list of the uncorrected misstatements and disclosure deficiencies identified.
6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the

entity's ability to continue as a going concern, including principal conditions or events and our plans. We do not intend to cease operations as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

7. We confirm going concern assessment is in line with the Local Authority Code Practice, as we confirm continued provision of the services.

8. We have reconsidered the remaining useful lives of the property, plant and equipment and confirm that the present rates of depreciation are appropriate to amortise the cost less residual value over the remaining useful lives.

9. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of property, plant and equipment may not be recoverable.

10. With respect to accounting estimates, we confirm:

    - the measurement processes, including related assumptions and models used to determine accounting estimates in the context of the applicable financial reporting framework are appropriate and have been applied consistently;
    - the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures;
    - the disclosures related to accounting estimates under the entity's applicable financial reporting framework are complete and appropriate; and
    - there have been no subsequent events that require adjustment to the accounting estimates and disclosures included in the financial statements.

11. We confirm that we consider the depreciated historic cost is an appropriate proxy for the fair value of non-property assets and are not aware of any circumstances that would indicate that these assets require revaluation.

12. We confirm that the provisions included within the financial statements are our best estimate of the liability due by the entity.

13. We confirm that we have disclosed to you the details of all vesting certificates that we are aware of with suppliers used during the year, and that were in place at the year-end, and confirm that the accounting treatment adopted for each reflects our assessment of the facts and circumstances for each arrangement.

14. We confirm that all of the disclosures relating to sections of the Annual Report and Accounts which are considered 'other information' as set out in the Code of Audit Practice 2021 have been prepared in accordance with relevant legislation and guidance.

15. We confirm that:

    - all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
    - all settlements and curtailments have been identified and properly accounted for;
    - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
    - the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
    - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
    - the amounts included in the financial statements derived from the work of the actuary are appropriate.

**Information Provided**

16. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter with Audit Scotland.

17. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

18. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error. We are not aware of any deficiencies in internal control of which you should be aware.

19. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

20. We have disclosed to you all information in relation to fraud, or suspected fraud that we are aware of, that affect the entity's and involve:

    - Management;
    - Employees who have significant roles in internal control; or
    - Others where the fraud could have a material effect on the financial statements.

21. We have disclosed to you all known instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.

22. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

23. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. No other claims in connection with litigation have been or are expected to be received.

24. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

25. We confirm that:

    - we consider that the entity has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and;
    - we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.

26. All minutes of Board and Committee meetings during and since the financial year have been made available to you.

27. We have drawn to your attention all correspondence and notes of meetings with regulators.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours sincerely

George Murphy
Finance Service Manager (Acting S.95 Officer), for and on behalf of Stirling Council

Deloitte.

APPENDIX 3

# Stirling Council

**Final report to the Audit Committee, the Council and the Controller of Audit on the on the 2022/23 audit**

**Issued on 9 August for the meeting on the 29 August 2024**

# Contents


## 01 Final report

Partner Introduction 3

***Annual Accounts***

- Quality Indicators 7
- Our Audit Explained 9
- Significant Risks 10
- Other Areas of Audit Focus 15
- Your Control Environment and Findings 18
- Other Significant Findings 19
- Our Audit Report 20
- Your Annual Accounts 21

***Wider scope audit***

- Overview 23
- Financial Management 24
- Financial Sustainability 29
- Vision, Leadership and Governance 39
- Use of Resources to Improve Outcomes 41
- Best Value 44
- Follow-up of Accounts Commission findings 45
- Service Performance 48
- Climate Change 50
- Cyber Security 54
- Purpose of our Report and Responsibility Statement 55

## 02 Sector Developments

Local Government Overview 57

## 03 Appendices

Action plan 60

Follow-up Action Plan 67

Audit Adjustments 72

Our Other Responsibilities Explained 75

Independence and Fees 76

# 1.1 Partner Introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit Committee ("the Committee") of Stirling Council ("the Council") for the 2022/23 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Accounts and the wider scope requirements; the scope of which was set out within our planning report presented to the Committee in June 2023.

I would like to draw your attention to the key messages of this paper:

**Conclusions from our testing**

Based on our audit work completed to date, we expect to issue an unmodified audit report.

The Management Commentary and Annual Governance Statement comply with the statutory guidance and proper practice and are consistent with the Annual Accounts and our knowledge of the Council. We provided management with comments and suggested changes based on review of the first draft and we have received an updated draft.

The auditable parts of the Remuneration report have been prepared in accordance with the relevant regulation.

A summary of our work on the significant risks is provided in the dashboard on page 7.

No material errors have been identified to date and there are no uncorrected misstatements. 3 corrected misstatements in excess of our reporting threshold of £250,000 has been identified up to the date of this report which is included within the Appendix to this report. These have no impact on the General Fund of the Council.

# 1.2 Partner Introduction (continued) 234

## The key messages in this report (continued)

**Status of the Annual Accounts audit**

Outstanding matters to conclude the audit include:

- Completion of internal quality procedures;
- Final clearance of Annual Accounts;
- Final clearance from Deloitte pension specialists;
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2023.

**Conclusions from wider scope audit work**

**Financial management –** effective budget setting and monitoring arrangements are in place. The capital budget setting and monitoring arrangements should be reviewed to ensure that realistic budgets are set with clear timelines and a clear linkage to Council priorities. The development of a Capital Strategy is a positive step. Due to the pressures of implementing the ERP system, there is a significant capacity constraints within the finance team to support the financial management arrangements within the Council. We will continue to monitor this through our audit appointment.

**Financial sustainability –** Financial balance was achieved in 2022/23 and budgeted in 2023/24 by using one-off solutions including use of reserves, which is unsustainable in the medium to longer-term. In November 2023 the level of uncommitted reserves was projected to reduce to below the Council's minimum level and significant funding gaps are projected over the next two years. The uncommitted reserve position has improved as of February 2024 and is now in line with the Council's upper target level. There remains a significant risk that the Council is not financially sustainable and urgent action is required.

The plans to develop a Medium-Term Financial Plan and the early engagement in preparing for the 2024/25 budget are positive steps. The Council is faced with having to make difficult decisions to achieve financial sustainability, therefore, it is critical that the early engagement and buy-in of elected members and the public is progressed.

The work being done as part of the refreshed transformation themes are also positive steps, however, significant work is still required to make the level of transformation change needed. There have been significant delays in implementing the ERP system, which forms part of the Council's transformation change programme. There remains a significant risk in relation to fully implementing the ERP system. A Business Change Strategy and Plan needs to be developed to ensure successful delivery of the expected benefits of the project.

**Vision, leadership and governance –** Our view of the vision and leadership of the Council has been considered as part of the separate management report "Best Value thematic work 2022/23".

Effective governance arrangements are in place, including the updated Local Code of Corporate Governance and an effective Audit Committee. In line with best practice, the Audit Committee should carry out an annual self-assessment to allow it to identify any training needs or changes to the Committee.

The Council continues to be open and transparent.

# 1.3 Partner Introduction (continued)

## The key messages in this report (continued)

**Conclusions from wider scope audit work (Continued)**

**Use of resources to improve outcomes** – Our view on the Council's performance management framework has been considered as part of the separate management report "Best Value thematic work 2022/23".

There are appropriate arrangements in place to comply with the SPI Direction, including its public performance reporting requirements.

**Best value** - The Council has an appropriate and effective best value framework in place and has continued to make positive progress in addressing the recommendations contained in the 2019 BVAR. The Council has a clear understanding of areas which require development.

**Climate change** – The Council has a comprehensive Climate and Nature Emergency Plan and is reporting annually in accordance with the regulation and legislation. Detailed governance arrangements are in place, with improvement recommended as part of a recent Internal Audit review. It is essential that as detailed delivery plans are developed, the Council is transparent about the gaps and challenges that exist in achieving its targets.

**Cyber risk** - We have obtained an understanding of the Council's cyber risk management programme and internal controls in relating to cyber risk. No issues have been noted. it is important that the internal audit review is progressed as planned in 2023/24 to assess the appropriateness of the cyber security arrangements in place.

**Next steps**

An agreed Action Plan is included on pages 60 to 70 of this report, including a follow-up of progress against prior year actions.

We have also prepared a separate management report as part of the Best Value thematic work in 2022/23 assessing the leadership of the development of new local strategic priorities.

**Added value**

Our aim is to add value to the Council by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Council promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

We have also included our "sector developments" on pages 57-58 where we have shared our research and informed perspective and best practice from our work across the wider public sector that are specifically relevant to the local government.

**Pat Kenny**
**Lead audit partner**

# Annual Accounts Audit

# 2.1.1 Quality Indicators

## Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

| Area | Grading | Reason | Further detail |
|---|---|---|---|
| Timing of key accounting judgements | | Documentation supporting management's assessment of key estimates – including pensions, provisions and property valuations – was provided on time. | |
| Adherence to deliverables timetable | | The draft Annual Accounts were provided on 9 June 2023 which was in line with the agreed timetable.<br>Management provided information for 61% of audit requests on time, with 12% being received between 1 and 7 days late, and 27% over 8 days late. As noted below, the finance team has been under significant pressure from implementing the new ERP system which has impacted on the delivery of audit evidence. Due to this, and the adjustments identified (page 71) it was agreed to revise the audit reporting deadline. | |
| Access to finance team | | Deloitte and Council staff have worked together to facilitate remote communication during the audit, with ad-hoc onsite visits. We are aware that the finance team has been under significant pressure from implementing the new ERP system which has meant a backlog in business-as-usual work affecting the ability to respond to audit requests. | |

Lagging Developing Mature

# 2.1.2 Quality Indicators (continued)

## Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

| Area | Grading | Reason | Further detail |
|---|---|---|---|
| Quality and accuracy of management accounting papers | ! | There were instances where the quality and accuracy of the supporting evidence did not meet the standard required, as demonstrated by 24% of requests required resubmission by management. (For example, PPE additions required significant levels of sub sampling due to aggregation, and listings of all revalued properties took time to compile).<br>We plan to hold a detailed de-brief with all members of the audit team and Council finance team to identify lessons learned and improve this for future years. | |
| Quality of draft Annual Accounts | | The initial draft of the Annual Accounts received for audit was generally of a good standard. | |
| Response to control deficiencies identified | ! | Deloitte noted a control deficiency over the processing of PPE revaluation entries. Management have accepted this and plan to implement additional controls in future years. | Page 18 |
| Volume and magnitude of identified errors | ! | Three adjustments were identified during the audit, as set out on page 72.<br>Management have accepted these adjustments and corrected them all. | |

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# 2.2 Our Audit Explained

## We tailor our audit to your business and your strategy

**Identify changes in your business and environment**

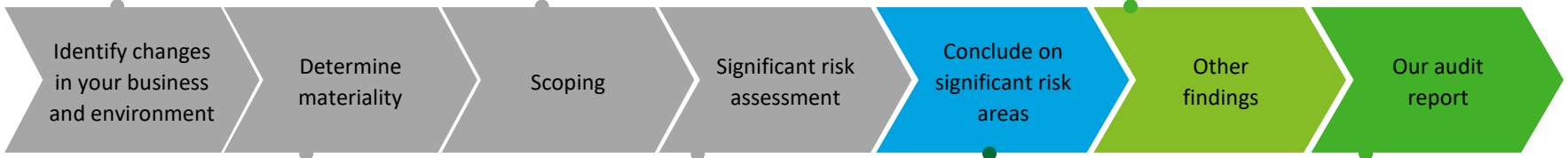
In our planning report we identified the key changes in your business and articulated how these impacted our audit approach.

**Scoping**

Our planning report set out the scoping of our audit in line with the Code of Audit Practice. We have completed our audit in line with our audit plan.

**Other findings**

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. We would like to draw to your attention to our other findings, further detail of which is found on page 18.




**Determine materiality**

When planning our audit, we set our group materiality at £6.590m based on forecast gross expenditure. We have updated this to reflect final figures and completed our audit to group materiality of £6.333m (Council only £6.013m), group performance materiality of £4.430m (Council only £4.200m) and report to you in this report all misstatements above £250,000 (Group and Council).

**Significant risk assessment**

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report.

**Conclude on significant risk areas**

We draw to the Audit Committee's attention our conclusions on the significant audit risks. In particular, the Audit Committee must satisfy themselves that management's judgements in are appropriate.

**Our audit report**

Based on the current status of our audit work, we envisage issuing an unmodified audit report.

# 2.3.1 Significant Risks

## Significant risk dashboard

| Risk | Fraud risk | Planned approach to controls | Controls conclusion | Consistency of judgements with Deloitte's expectations |
|---|---|---|---|---|
| Management override of controls | ✓ | DI | Satisfactory | ⚠ |
| Property valuations | ✗ | DI | Satisfactory | ⚠ |
| Capital Expenditure | ✓ | DI | Satisfactory | ⚠ |

**Controls approach adopted**

DI Assess design & implementation

**Consistency of judgements with Deloitte's expectations**

⚠ Consistent

⚠ Improvement required

⚠ Inconsistent

# 2.3.2 Significant Risks (continued)

## Management override of controls

**Risk identified**

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Accounts and accounting records.

**Deloitte response and challenge**

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

**Journals**

- We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Accounts. In designing and performing audit procedures for such tests, we have:
- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

**Accounting estimates and judgements.**

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgements and decisions made by management in making the accounting estimates included in the Annual Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. A summary of the key estimates and judgements considered is provided on the next page; and.
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Accounts of the prior year.

**Significant and unusual transactions**

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

**Deloitte view**

We have not identified any instances of management override of controls.

# 2.3.3 Significant Risks (continued)

## Management override of controls (continued)

**Key estimates and judgements**

The key estimates and judgements in the Annual Accounts includes those which we have selected to be significant audit risks around capital expenditure (see page 14) and property valuations (see page 13). This is inherently the area in which management has the potential to use their judgement to influence the Annual Accounts. While not considered to be significant audit risks, we have considered the assumptions used to calculate the pension liability (see page 15) and the recognition of expenditure (see page 16). In the table below, we set out our challenge of the assumptions used in the determination of the Public Finance Initiatives and Public Private Partnership projects.

| Estimate / judgement | Details of management's position | Deloitte Challenge and conclusions |
|---|---|---|
| Private Finance initiatives ('PFI') and Public Private Partnership ('PPP) | The Council currently has one PFI project and one PPP contact for the provision of education buildings, their maintenance and related facilities: Balfron High School and Stirling Schools.<br><br>Each PFI/PPP liability is valued based on the value of the remaining lease payments under IAS 16 and IAS 17. The minimum lease rental is split between interest and principal using the actuarial method. | We obtained and assessed the initial PFI/PPP agreements in place and reconciled to the payment schedules for each model. We have checked the integrity of the models and have performed a reconciliation to the Annual Accounts. We have conducted a retrospective review of the prior year liability to assess accuracy and have challenged any changes made to the model. We have assessed the value of the underlying buildings through our Valuations work.<br><br>We are satisfied that the PFI/PPP liability recognised in the accounts is in line with the models and there is no indication of management bias.<br><br>We have challenged management's accounting treatment and concluded that the net book value has been appropriately disclosed. |

# 2.3.4 Significant Risks (continued)

## Property valuations

**Risk identified and key judgements**

The Council held £639.142m of property assets (Council dwellings, land & buildings) at 31 March 2022 which increased to £706.121m as at 31 March 2023 due to a combination of upwards revaluations and impairments, as a result of the Council carrying out a combination of asset valuations as part of the 5-year rolling programme and a desktop valuation of schools and housing stock.

The Council is required to hold property assets within Property, Plant and Equipment at existing use value provided that an active market for the asset exists. Where there is no active market, because of the specialist nature of the asset, a depreciated replacement cost approach may be needed, which provides the current cost of replacing an asset with its modern equivalent asset. The valuations are by nature significant estimates which are based on specialist and management assumptions, and which can be subject to material changes in value.

**Deloitte response and challenge**

We have performed the following procedures:

- used our valuation specialists, Deloitte Real Asset Advisory, to review and challenge the appropriateness of the assumptions used in the year-end valuation of the Council's Land and Buildings;
- tested the design and implementation of key controls in place around the property valuation;
- tested the inputs to the valuation and the key asset information provided by the Council to the valuer back to supporting documentation; and
- Challenged management's assessment for material changes in value for those property assets not subject to full valuation in the year.

In response to the UK government notice regarding Reinforced Autoclaved Aerated Concrete (RAAC), we have followed up the action taken to date with the Council. Management has confirmed that it has carried out a review of its estate, focussing on property constructed between 1930 and 1990, but prioritising property between 1950 and 1990. To date, and as per the guidance, it has initially concentrated on the school estate, however, the team has been progressing through the review of its offices, community and library estate. It has also expanded its scope for its programmed Condition Reporting to include an assessment on concrete specifically. No concerns have been identified from this work.

**Deloitte view**

We have identified an understatement of £1.6m relating to 2023/24 PPE valuations. We also identified an adjustment of £39.8m relating to prior year revaluations. Both have been corrected and no further adjustments noted.

# 2.3.5 Significant Risks (continued)

## Capital Expenditure

**Risk identified and key judgements**

The Council has a significant capital programme and had budgeted £37.190m for capital works during 2022/23 (2021/22: £29.297m). Key projects include investment in the education estate, roads infrastructure improvements and expenditure associated with the Active Travel project as part of the City Region Deal.

Where the Council develops properties as part of its capital programme, determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards. The increasing pressures on the revenue budgets increases the risk of amounts being incorrectly capitalised.

The Council has a significant assets under construction balance for current ongoing capital projects (£14.996m as at 31 March 2022). The timing in which projects are completed and assets are brought into use directly impacts the level of depreciation incurred by the Council and as such is an area that we judge could be open to management override.

**Deloitte response and challenge**

We have performed the following procedures:

- Reviewed the Council's capital plans as part of the planning process and discussed with management potential risks or issues identified.
- Reviewed accounting papers prepared by management in respect of any areas of judgement in the application of accounting standards to determine whether costs should be capitalised;
- Tested the design and implementation of controls around the capitalisation of costs and test spending on a sample basis to confirm that it complies with relevant accounting requirements;
- Tested the design and implementation of controls around the transfer of assets out of assets under construction and into use and tested completed projects on a sample basis to ensure depreciation is charged from the correct date;
- Evaluated the completeness of disposals or impairments of existing assets on completion of the above key projects; and
- Challenged any significant judgements made by management in regard to these projects, for example the capitalisation of staff costs and other project development costs, to ensure they comply with relevant accounting requirements.

**Deloitte view**

We have not identified any issues with regards to capitalisation of capital expenditure.

# 2.4.1 Other Areas of Audit Focus

## Defined benefits pension scheme

**Background**

The Council participates in two defined benefits schemes:

- Scottish Teachers' Superannuation Scheme, administered by the Scottish Government; and
- The Falkirk Pension Fund, administered by Falkirk Council.

The net pension liability has changed from a net liability of £204.887m in 2021/22 to a net asset of £10.446m. This significant movement is largely as a result of an increase in the corporate bond yield, upon which the discount rate is derived, and is reflective of the pension fund triennial valuation in March 2024.

**Deloitte response**

- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work;
- We reviewed and challenged the assumptions made by Hymans Robertson;
- We have obtained assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;
- We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund Annual Accounts;
- We have reviewed and challenged the calculation of the impact of the McCloud and Goodwin cases on pension liabilities;
- We have assessed whether the recognition of the asset is in line with standards; and
- We reviewed the disclosures within the accounts against the Code.

| | Council | Comments |
|---|---|---|
| Pension increase (% p.a.) | 2.95 | Appropriate |
| Salary increase (% p.a.) | 3.55 | Appropriate |
| Discount rate (% p.a.) | 4.75 | Appropriate |
| Mortality - Life expectancy of a male/female pensioner from age 65 (currently aged 65) | 20.4/23.1 | Appropriate |
| Mortality - Life expectancy of a male/female pensioner from age 65 (currently aged 45) | 21.3/24.8 | Appropriate |

**Deloitte view**

We have not identified any issues with regards to the defined benefits pension scheme. The Council have updated the disclosures to reflect the most recent pensions fund triennial valuation in March 2024.

# 2.4.2 Other Areas of Audit Focus (continued)

## Expenditure recognition

**Risk identified**

In accordance with Practice Note 10 (*Audit of financial statements of public sector bodies in the United Kingdom*), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on the basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.

We have considered this risk for the Council and concluded that we are satisfied that the control environment is strong and there is no history of errors or audit adjustments. This was therefore not been assessed as a significant risk area but continued to be an area of audit focus.

**Deloitte response**

We performed the following procedures to address the above risk:

- A review of the number and median value of invoices processed in the year. As illustrated in the table opposite, based on the medium amount, the Council would need to omit over 45,553 invoices at year-end to result in a material error. We noted that in the month following the year-end, a total of 5,220 invoices were processed. We therefore concluded that a risk of material misstatement was remote.
- Analytical review to test the completeness and accuracy of year-end creditor balances was carried out. We are satisfied that the amount recorded is reasonable.
- Detailed testing of a sample of accruals was completed with no issues arising.

| | Invoice Analysis |
|---|---|
| Median invoice amount | £132 |
| Average number of invoices processed per month | 8,218 |
| Number of invoices that would need to be unrecorded to cause a material misstatement | 45,553 |
| Total invoices processed in April 2023 (one month after year-end) | 5,220 (total value £12.387m) |

**Deloitte view**

We have concluded that expenditure has been correctly recognised in accordance with the requirements of the Code of Practice on Local Authority Accounting.

# 2.4.3 Other Areas of Audit Focus (continued)

## Charitable trusts

**Risk identified**

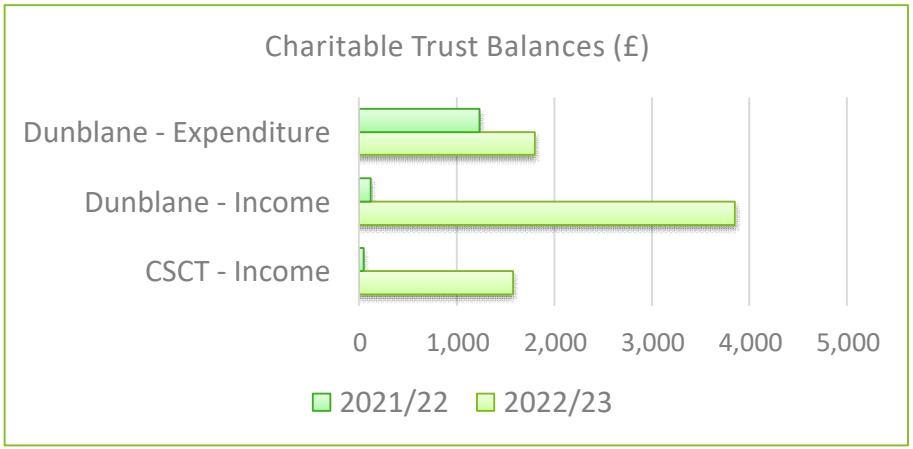
From 2013/14, all Scottish Councils who act as sole trustees for any registered charities have to fully comply with the Charities Accounts Regulations. This requires Charities SORP compliant accounts to be prepared for each charity, and a separate audit of each. Stirling Council administer two such registered charities – The consolidated small charitable trusts and the Dunblane Cemetery Memorial Garden (Maintenance) Trust.

As the gross income of the Trust is less than £100,000, the Council has opted to prepare the charitable trust accounts on a receipts and payments basis in accordance with The Charities Accounts (Scotland) Regulation 2006. Fully compliant Charities SORP accounts are therefore not required, and disclosure is limited to that specified in the Regulations. The Consolidated Small Charitable Trusts (CSCTs) income is also less than £100,000, however, the Council has chosen to prepare fully compliant Charities SORP accounts.

**Deloitte response**

We have assessed both sets of accounts to ensure these have been prepared in accordance with the Charities Accounts (Scotland) Regulations 2006.

A summary is of the income and expenditure in each accounts is shown in the chart opposite demonstrating that the income and expenditure is minimal.




**Deloitte view**

Our testing of the charitable trust is complete with no issues arising. We have issued an unmodified opinion. As noted above, the Dunblane Cemetery Memorial Garden (Maintenance) Trust income is less than £100,000 and therefore eligible for accounts to be prepared on a receipts and payments basis. The Council should consider this for future years to reduce the administrative and audit burden in preparing these accounts.

# 2.5 Your Control Environment and Findings

## Control deficiency and areas for management focus

- Low priority
- Medium Priority
- High Priority

| Observation | | Deloitte recommendation | Management response and remediation plan |
|---|---|---|---|
| No review or segregation of duties in place for the process of calculating and posting PPE revaluations to the ledger in 2021/22. | ! | Prior to the posting of the revaluation entries, the entries should be reviewed in detail by a senior member of the finance team. | The Council have implemented a more robust control for the 2022/23 financial year where a detailed review is undertaken by senior finance team members of PPE revaluation entries prior to posting. |

# 2.6 Other Significant Findings

## Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

**Qualitative aspects of your accounting practices:**

The Council's Annual Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the "Code"). Following our audit work, we are satisfied that the accounting policies are appropriate.

**Significant matters discussed with management:**

We have discussed the Council's response to the national issue arising relating to RAAC, which is discussed further on page 13.

**Regulatory change**

IFRS 16, Leases, was due to come into effect on 1 April 2022, however, has been deferred to be effective from 1 April 2024 and will be included in the 2024/25 Code. Local authorities may adopt it in preceding financial periods if deemed appropriate.

Stirling Council has opted to wait until the implementation date of 1 April 2024. In accordance with the Code, there is therefore no requirement in the 2022/23 accounts to disclose the impact of this upcoming change. This is something that will need to be considered for the 2023/24 accounts as the Council will then need to disclose the expected impact from 1 April 2024.

**Liaison with internal audit**

The audit team has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. In response to the significant risks identified, no reliance was placed on the work of internal audit, and we performed all work ourselves.

We will obtain written representations from the Council on matters material to the Annual Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

# 2.7 Our Audit Report

## Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.

### Our opinion on the Annual Accounts

Our opinion on the financial statements is expected to be unmodified.

### Going concern

We have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment that the continued existence of a particular body.

### Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in any other matter paragraph.

### Other reporting responsibilities

The Annual Accounts is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Our opinion on matters prescribed by the Controller of Audit are discussed further on page 21.

# 2.8 Your Annual Accounts

We are required to provide an opinion on the auditable parts of the Remuneration report, the Annual Governance Statement and whether the Management Commentary is consistent with the disclosures in the accounts.

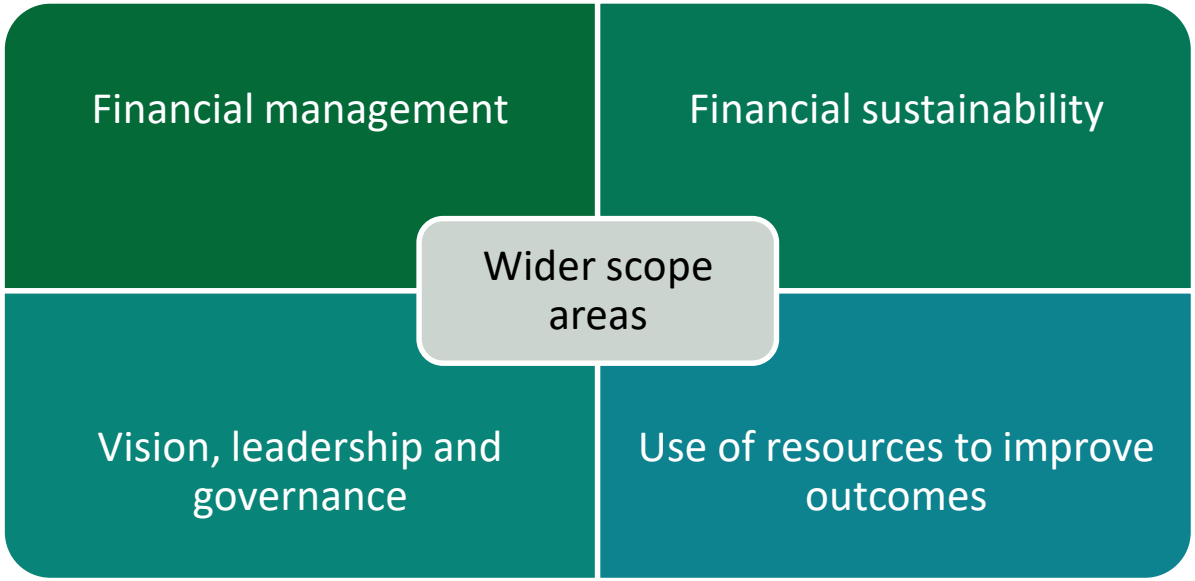
| | Requirement | Deloitte response |
|---|---|---|
| Management Commentary | The report outlines the Council's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the Council. | We have assessed whether the Management Commentary has been prepared in accordance with the statutory guidance.<br><br>We have also read the Management Commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading.<br><br>Following updates made as agreed during the audit, we are satisfied that the Management Commentary has been prepared in accordance with guidance, is consistent with our knowledge and is not otherwise misleading. |
| The Remuneration Report | The remuneration report has been prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of Senior councillors and Senior Employees of the Council. | We have audited the disclosures of remuneration and pension benefits, pay-bands, and exit packages, and we can confirm that they have been properly prepared in accordance with the regulations. |
| The Annual Governance Statement | The Annual Governance Statement reports that the Council's governance arrangements provide assurance, are adequate and are operating effectively. | We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Accounts and has been prepared in accordance with the Delivering Good Governance in Local Government Framework. Following updates made as agreed during the audit for minor improvements we can conclude that the Annual Governance Statement is consistent with the Annual Accounts, our knowledge and the accounts regulations. |

# Wider Scope Audit

# 3.1 Wider Scope Requirements

## Overview

As set out in our audit plan, Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



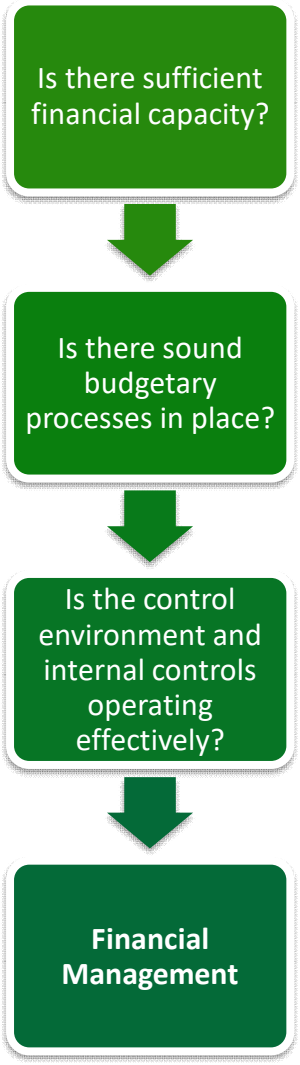

In its planning guidance, Audit Scotland has also highlighted the following national or sectoral risks that the Auditor General and Accounts Commission wish auditors to consider at all bodies during the 2022/23 audits:

- Climate change.
- Cyber security.

Our audit work has considered how the Council is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value ('BV') have all been incorporated into this audit work.

# 3.2 Wider Scope Requirements (continued)

## Financial management


Is there sufficient financial capacity?
Is there sound budgetary processes in place?
Is the control environment and internal controls operating effectively?
Financial Management

### Significant risks identified in Audit Plan

We highlighted in our Audit Plan that there is an ongoing risk with the finance team capacity, in particular as a result of the work being done to prepare for the implementation of the new ledger system early in 2023/24. From our planning work and handover from the previous auditors, we did not, however, identify any significant risks in relation to financial management. We therefore restricted our audit work to reviewing the financial management arrangements in place, including the capacity of the finance team which has been considered on the following pages.

### Current year financial performance

The **2022/23 General Fund budget** was approved by the Council on 3 March 2022. This was on the basis of maintaining uncommitted reserves at the same level, with no use planned for 2022/23. The budget has been updated throughout the year to include in year movements with the final outturn reporting an overspend of £4.511m (1.8%) against the revised budget. This has significantly reduced in the year, from a projected overspend of £8.416m reported in September 2022. As a result of the overspend, the uncommitted reserves balance has been used to account for this overspend. We have considered the reserves position further on page 30. The Senior Management Team and Councillors regularly review progress against budget throughout the year, with quarterly reporting to the Finance, Economy and Corporate Services Committee. From review of the reporting throughout the year, variances are clearly reported and explained. However, the reporting could be enhanced by incorporating the following:

- A clear reconciliation from the original approved budget to the revised budget updated and reported against during the year.
- Clearly identifying the savings targets incorporated into the budget and then monitoring against these to assess whether they have been achieved as planned. It is currently not possible to establish, from the reporting the Committee, what level of savings have been achieved.

# 3.3 Wider Scope Requirements (continued)

## Financial management (continued)

**Current year financial performance (continued)**

In setting its budget, the Council recognised a number of key risks, with the future pay negotiations and issues around future local government finance settlements being the most significant risk to the Council. It also highlighted the wider risks reflecting the continued economic uncertainty. These risks have materialised in the year, with the key reasons for the overspend being:

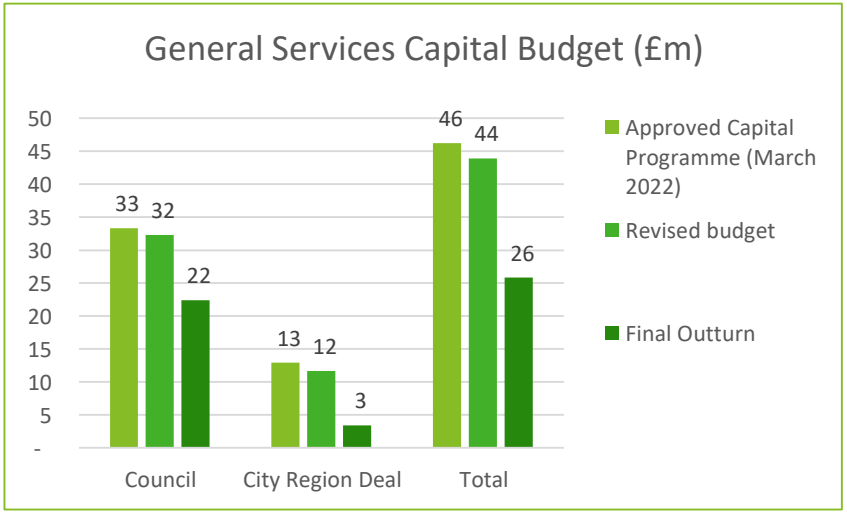
- A net overspend of £1.113m in services, largely as a result of inflationary pressures on PFI/PPP unitary charges and fuel, construction materials and sub-contractor costs, partly offset by some underspends in schools and learning.
- A net overspend of £3.099m in corporate areas, largely as a result of the unfunded element of the 2022/23 pay award of £2.227m.

The **2022/23 Housing Revenue Account (HRA)** budget was agreed by the Council on 17 February 2022, being a balanced position with HRA reserves being maintained at £986,000. Updates have been reported to members throughout the year as part of the normal reporting cycle. The final outturn position was a minor overspend of £146,000, which has been offset by increased income, therefore ended the year in a breakeven position.

The **2022/23 HRA Investment Programme** was agreed at the same time as the HRA budget and has been monitored throughout the year as part of the HRA reporting. The final outturn reported an overspend of £3.5m against the original budget of £18.326m. This has largely arisen due to a £2.5m overspend on new house building as a result of additional costs from the restrictions in place due to the pandemic and increased material costs.

The **2022/23 General Services Capital Programme** was approved by the Council on 3 March 2022, split between the core Council programme and projects in the City Deal.

A comparison of the approved budget, revised budget and final outturn is illustrated below.



# 3.4 Wider Scope Requirements (continued)

## Financial management (continued)

### Current year financial performance (continued)

The graph illustrates that a significant underspend has been incurred in the year, with 67% of the core Council programme budget used and only 27% of the City Region Deal budget.

The key reasons for this significant variance are:

- Significant slippage into 2023/24 of £14m;
- Slippage into 2024/25 and 2025/26 of £1m; and
- £3m of the City Region Deal budgets to be re-aligned.

The Council has noted that a worldwide shortage of raw material and cost increases resulted in difficulties in delivering the capital programme in 2021/22 and 2022/23. This, coupled with the cost of fuel and energy price increases, meant that there was continued uncertainty about the full impact on contractors and supply chains to deliver the diverse nature of the Council's capital programme.

Improvements are required to the capital budget setting and monitoring process to ensure that realistic budgets are set, with clear timelines and links with the capital investment requirements of the Council. This should include a clear link to the impact on service delivery or transformation where there is slippage in projects. We have considered the capital planning and asset management further in our separate report "Best Value thematic work 2022/23".

### Finance capacity

There have been a number of changes in the finance team during the year, and we note that the position of Chief Finance Officer is currently being recruited for following the departure of the previous CFO in November 2023.

At an operational level, the finance team are significantly stretched, as demonstrated by the quality dashboard on page 7 where there were delays in information being provided for audit, and the quality of some of the evidence was not where we would expect it to be. This is, to a large extent, as a result of the Council implementing a new Enterprise Resource Planning (ERP) system which a large proportion of the finance team time has been re-directed to and therefore impacting their day to day responsibilities.

We have considered the progress with the ERP implementation in more detail on page 36.

# 3.5 Wider Scope Requirements (continued)

## Financial management (continued)

**Internal controls and internal audit**

The Council has comprehensive financial regulations in place, which were last reviewed and updated in January 2020.

We have assessed the internal audit function, including its nature, organisational status and activities performed. We have reviewed all internal audit reports published throughout 2022/23. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

The capacity within the internal audit team has also been impacted by the implementation of the ERP system. Between September 2021 and February 2023, one of the team has been on secondment to the ERP project. In addition, from April 2022, another member of the team moved from full time to part time. As part of a wider review of resourcing across the Governance Service, an additional full--time member of the team took up post in June 2022 to allow the Internal Audit team to fulfil the assurance and consultancy elements of the requirements set out in the Public Sector Internal Audit Standards.

The 2022/23 Internal Audit Plan was approved by the Audit Committee in August 2022. Ordinarily the Plan would have been presented to the Committee for approval in March or April, however, as a result of the local government elections in May 2022, the plan was presented later.

The plan included 745 audit days assigned across a number of assignments. Summary reports are provided to the Committee for each assignments.

All agreed actions arising from Internal Audit assignments are monitored during the year, with the Internal Audit team seeking confirmation from Services that agreed actions have been implemented in line with target dates. Verification work is performed on a sample of actions. The latest report to the Audit Committee in August 2023 highlighted that 17 ‘High Priority’ actions remained outstanding beyond their original target date. These continue to be monitored by internal audit. It is important that actions are addressed on a timely basis to ensure that the risks identified from the audit work are appropriately mitigated.

The Internal Audit Annual Assurance Report for 2022/23 was considered by the Audit Committee in June 2023. This concluded that sufficient work was undertaken to support a balanced assurance and that the Audit Service Manager could provide “substantial assurance” on the Council’s arrangements for risk management, governance and control in 20223/23.

Five, out of the agreed 22 assignments, have been carried forward into the 2023/24 plan. While this has not impacted on the ability of the Audit Service Manager to provide overall assurance, the Audit Committee should closely monitor any further impact of resourcing issues across the internal audit team.

# 3.6 Wider Scope Requirements (continued)

## Financial management (continued)

**Standards of conduct for prevention and detection of fraud and error**

We have assessed the Council's arrangements for the prevention and detection of fraud and irregularities. This has included specific considerations in response to the Audit Scotland's publication "Fraud and irregularities 2021/22 – sharing risks and case studies to support the Scottish public sector in the prevention of fraud". Overall, we found the Council's arrangements to be designed and implemented appropriately.

**National Fraud Initiative (NFI)**

All Councils are participating in the most recent NFI exercise. We have monitored Stirling Council's participation and progress in the NFI exercise. A report was considered by the Audit Committee in August 2023 as part of a wider corporate fraud plan update. This confirmed that a total of 3,259 matches were made available to the Council's Counter Fraud Officer, with 180 marked as high risk and 561 as medium risk. A total of 1,126 matches have been fully investigated providing a high degree of positive assurance. Of these, 1,121 have been closed and no fraud or error identified. The other 5 have resulted in further action being taken relating to individuals who have fraudulently claimed or been erroneously awarded Council Tax reduction with overpayment being recovered in full. Work is continuing in relation to the remaining matches. We have therefore concluded that the Council is fully engaged in the exercise.

**Deloitte view – financial management**

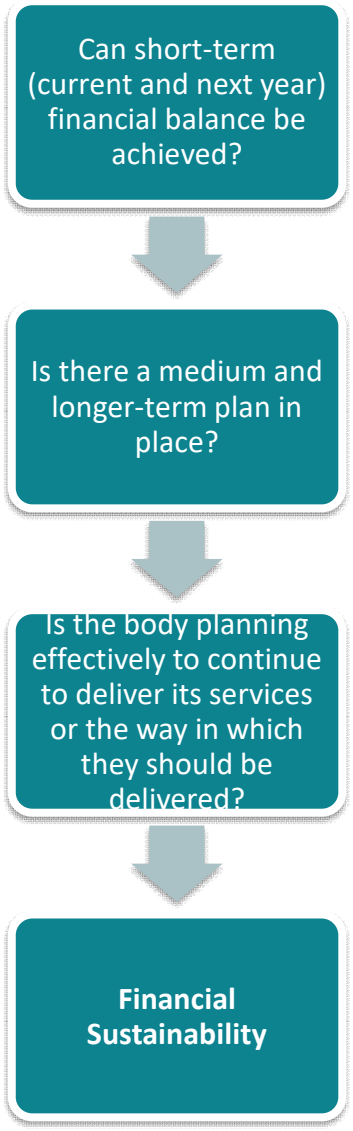
The Council continues to have effective budget setting and monitoring arrangements in place. The reporting could be enhanced to provide more information on changes in budgets and progress against savings. The capital budget setting and monitoring arrangements should also be reviewed to ensure that realistic budgets are set with clear timelines and a clear linkage to Council priorities.

The finance team has seen a number of changes in the year and is being significantly impacted by the implementation of the ERP system. This continues to increase the pressure on the capacity of the finance team to support the financial management arrangements within the Council. We will continue to monitor this through our audit appointment.

A robust independent internal audit function is in place and there are appropriate arrangements for the prevention and detection of fraud and error. The implementation of the ERP system has also impacted on the capacity of the internal audit team. This needs to be closely monitored by the Audit Committee.

# 3.7 Wider Scope Requirements (continued)

## Financial sustainability


Can short-term (current and next year) financial balance be achieved?
Is there a medium and longer-term plan in place?
Is the body planning effectively to continue to deliver its services or the way in which they should be delivered?
Financial Sustainability

### Significant risks identified in Audit Plan

In our audit plan we highlighted that while the Council had historically achieved financial balance, there remains a potential risk that robust medium-to-long term planning arrangements are not in place to ensure that the Council can manage its finances sustainably and deliver services effectively. This was based on the following factors:

- The overspend on the revenue budget reported throughout the year, impacting on the balances held as general reserves;
- Pressures on expenditure including public sector pay costs and inflationary pressures not being met by increased income; and
- Indicative funding gaps identified for 2024/25 and 2025/26.

We have considered these aspects on the following pages.

### 2023/24 budget setting

The Council approved a balanced budget of £286.955m for 2023/24 on 2 March 2023. The paper presented to members included an initial budget gap of £17.648m (6% of the Council's expenditure) and it included reference to one-off options which were then taken forward by the Administration. Savings options were developed with elected members in January and February 2023 in advance of the formal budget meeting. Following the approval of the budget, an urgent meeting of the Council was held on 9 March 2023 to discuss specific funding for a charity that had been approved as part of the budget on 2 March 2023. As a result of further information coming to light around additional funding from the Scottish Government to the charity concerned, the Council agreed at its meeting on 30 March 2023 to reverse its decision and removed £392,000 funding allocation and re-allocated the same amount across a number of other areas. It is not clear to what extent the revised allocation were considered in terms of the wider Council priorities. In setting its budget, the Council needs to provide greater clarity on how its decisions link with its agreed priorities.

# 3.8 Wider Scope Requirements (continued)

## Financial sustainability

**2023/24 budget setting (continued)**

One of the options put forward to balance the budget was in relation to Service Concession Financial Flexibility. The Scottish Government published Finance Circular 10/2022 in September 2022, which allowed Councils to apply additional flexibility to accounting treatment of PFI/PPP service concession arrangements in place prior to 1 April 2022. Councils are permitted to apply the flexibility in either 2022/23 or 2023/24. The guidance gives Council's the ability to reprofile principal repayments relating to PFI/PPP contracts over the life of the asset as opposed to the service contract. Stirling Council has opted to apply this flexibility, resulting in a one-off financial benefit of £27.4m, with the benefit commencing from 2023/24. As noted below, the Council has agreed to use £3.712m of this benefit to balance the 2023/24 budget.

In order to agree a balanced position, members agreed to the following:

| Decision | £m |
|---|---|
| Policy budget savings | 1.491 |
| Business as usual savings | 4.995 |
| Re-purpose of earmarked reserves | 5.350 |
| Use of service concession flexibility in accordance with Scottish Government circular | 3.712 |
| Increase Council Tax by 7% | 2.100 |
| **Total** | **17.648** |

As illustrated in the table, a large proportion of the agreed approach is based on one-off solutions and therefore not sustainable.

In line with the process for setting the 2022/23 budget discussed on page 23, the Council recognised that the most significant financial risks to the Council relate to the future pay negotiations and the issues around future local government finance settlements. While these are clearly the biggest risks that are faced by all Councils, the Council should also set out within its budget papers proposed mitigating actions against any other specific risks that impact on the achievement of a balanced financial position.

Following the Scottish Government funding announcement in December 2022, briefing sessions and workshops were held with elected members to develop the Council's savings options. The Council has recognised that given the unprecedented challenges facing the Council, engagement with members needs to be much earlier in the process and has changed its approach for 2024/25 which we have considered further on page 33.

We have also considered how the Council engaged with communities as part of the budget setting process as part of the separate management report "Best Value thematic work 2022/23".

# 3.9 Wider Scope Requirements (continued)

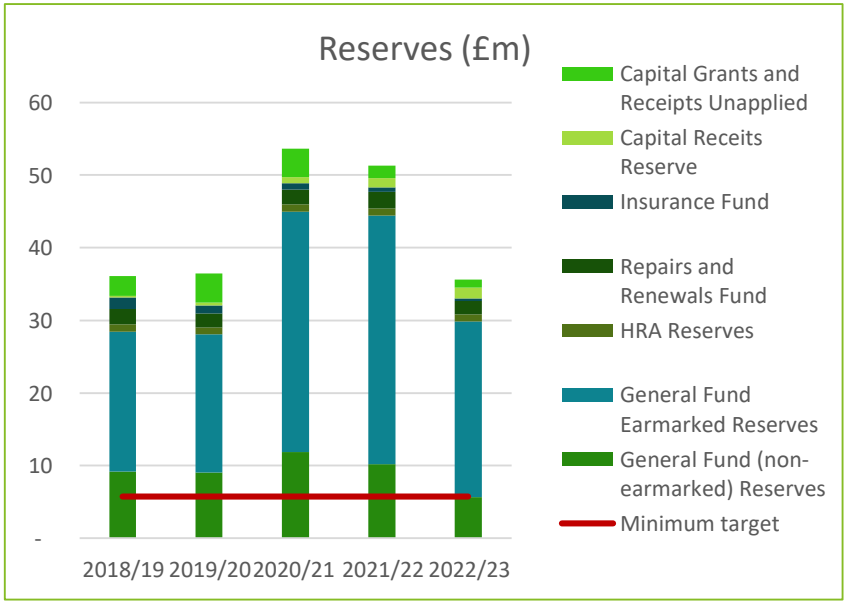
## Financial sustainability

**Reserves**

At the time of approval of the 2023/24 budget on 2 March 2023, the Council carried out its annual review of its Reserves Strategy and agreed to maintain its target level of uncommitted reserves to be between 2% and 2.5% of budget for 2023/24.

As discussed on page 23, the Council ended 2022/23 in an overspend position and as a result was required to use uncommitted reserves to support this outcome. This resulted in the uncommitted reserves reducing from £10.193m to £5.682m. At the time of setting the budget, the projected overspend was slightly higher which would have resulted in the uncommitted reserves balance to reduce to below the minimum of 2%. The Council therefore agreed as part of setting its budget to use some of the benefit from the service concession flexibility to top-up the uncommitted reserves by £1m. This approach is unsustainable in the medium to longer term.

The reserves position as at 31 March 2023, and the previous four years is illustrated opposite:




As of November 2023, the non-earmarked general fund reserve was at the minimum target level, therefore any further overspends and unplanned costs in 2023/24 could impact on the short-term financial sustainability of the Council. The latest monitoring report to the Finance, Economy and Corporate Support Committee in February 2024 is projecting an overspend which would bring the level of reserves to below the minimum 2%, however we note that the reserves position has improved in 2024 and is not forecast to fall below the 2% target. In our view the risk to financial sustainability remains significant.

# 3.10 Wider Scope Requirements (continued)

## Financial sustainability

**Reserves (continued)**

The overall reserves position is showing a significant reduction from previous years, with 2020/21 and 2021/22 significantly impacted by the additional funding as a result of the Covid-19 pandemic. The total value is now in line with pre-Covid-19 reserve balances, which are largely earmarked for specific purposes.

A detailed review of all earmarked reserves was carried out as part of the 2023/24 budget setting process. Within this it was noted that of the £34m earmarked reserves carried forward from 2021/22, £17m remained at February 2023 and £12m has been committed to meet future spend, resulting in £5m being released and re-purposed to help balance the 2023/24 budget. There is currently no reporting on progress with the use of the earmarked reserves as part of the regular monitoring reports to Committee. Given the significant number of earmarked reserves, we recommend that the monitoring reports are expanded to give members an update on progress with the use of these reserves to ensure that they are being actively monitored and being applied for the purposes intended.

As discussed on page 30, the Scottish Government has allowed council's flexibility to the accounting treatment of PFI/PPP service concession arrangements. The Council has opted to use this flexibility, resulting in a one-off financial benefit of £27.358m. In approving the 2023/24 budget, the Council agreed to the following use of this balance. It is important that these balances are also incorporated into the ongoing monitoring of the Council's financial position.

| | £m |
|---|---|
| Support balancing the 2023/24 budget | 3.712 |
| Top-up uncommitted reserves | 1.000 |
| Voluntary severance provision | 7.000 |
| Invest to Save Fund | 3.000 |
| Community Empowerment and Capacity Fund | 1.300 |
| Economic Development Fund | 1.500 |
| Scottish Welfare Fund top-up | 0.200 |
| Public Transport Pilot | 0.030 |
| Inflation and Risk Reserve | 9.616 |
| **Total** | **27.358** |

We would also recommend that the Council review the need for such a large number of earmarked reserves (currently over 150 separate earmarked reserves ranging from balances less than £5,000 to £6m) and whether these should be getting managed as part of the individual services budgets rather than being treated separately as reserves. The administrative burden of managing and monitoring over 150 separate reserves is excessive.

# 3.11 Wider Scope Requirements (continued)

## Financial sustainability

**HRA and Capital Investment 2023/24**

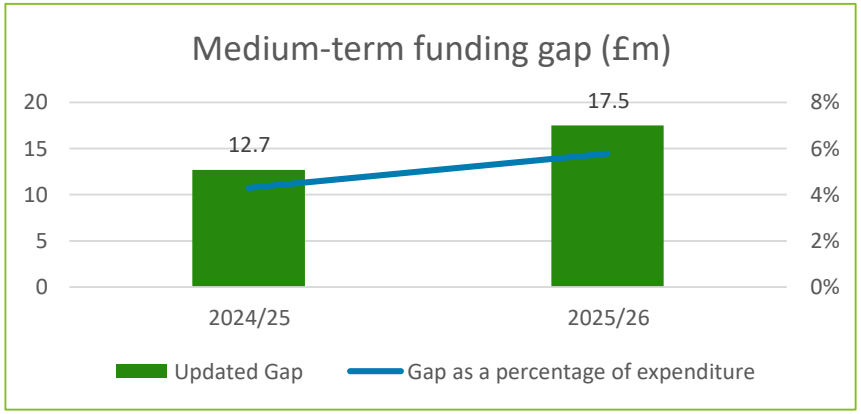
The HRA revenue budget and Capital Investment Programme for 2023/24 was approved by the Council on 16 February 2023. This included approval of the HRA Rental Strategy, where a rent increase of 2.9% was approved. Total capital investment approved of £18.026m, which is to be funded by:

- Capital funded from Revenue - £7.2m.
- Prudential borrowing - £5.477m.
- Grant funding from the Scottish Government for new housing - £4.2m.
- Additional Scottish Government funding (energy efficiency) - £949,000.
- Strategic Housing Account - £200,000.

We have considered the Council's capital and asset management arrangements further as part of the separate management report "Best Value thematic work 2022/23", including the development of a Capital Strategy.

**Medium-to-long term financial planning**

At the same time as setting the 2023/24 budget, the Council set out indicative financial plans for the following two financial years. The latest indicative gap over the two years is illustrated opposite.




As explained on page 29, a number of one-off solutions were agreed to address the gap in 2023/24, however, but there are currently no plans in place to address the expected gaps in future years. The Council is therefore not financially sustainable in the medium-term. The Council has recognised that this as an increasing risk on its Strategic Risk Register and management are currently working on a Medium-Term Financial Plan (MTFP), which is due to be considered by members in 2024/25. It is critical that this is developed, with clear actions on how financial sustainability is to be achieved.

Audit Scotland's report in June 2014 Scotland's public finances – A follow-up audit: Progress in meeting the challenges (audit-scotland.gov.uk) includes a helpful summary of important features of a financial strategy, as summarised on the following page. We would recommend that management use this as a reference for developing its medium-to-long term strategy.

# 3.12 Wider Scope Requirements (continued)

## Financial sustainability

**Medium-to-long term financial planning (continued)**

| Area | Important features of a financial strategy |
|---|---|
| ***Period*** | A financial strategy should cover 5-10 years. |
| ***Cost*** | A clear understanding of the business model and the cost of individual activities within it |
| ***Savings options*** | Evidence based options for achieving savings |
| ***Savings details*** | Details of one-off and recurring savings |
| ***Scenario planning*** | Scenario planning to outline best, worst and most likely scenarios of the financial position and the assumptions used |
| ***Assets/Liabilities and Reserves*** | Details of assets, liabilities and reserves and how these will change over time |
| ***Capital Investment Activity*** | Details of investment needs and plans and how these will be paid for |
| ***Demand*** | An analysis of levels of service demand and project income |
| ***Funding shortfalls*** | Any income or funding shortfalls and how to deal with these |
| ***Strategy links*** | Clear links to the corporate strategy and other relevant strategies such as workforce and asset management |
| ***Risks and timescales*** | The risks and timescales involved in achieving financial sustainability |

In addition to the development of a Capital Strategy and MTFP, the Council has recognised that the Council is facing unprecedented challenges and as a result, early engagement is needed in the run up to the 2024/25 budget setting. The following action has been taken to date:

- A budget delivery group has been established, comprising officers and members, with the first meeting held in May 2023.
- A budget delivery framework has been implemented, which includes the following key workstreams:
  a) Perform detailed service level reviews.
  b) Further develop transformation/service redesign programme at pace.
  c) Engagement with Elected Members.
  d) Engagement with public.
  e) Draft the MTFP and Capital Strategy.

The above approach is a positive step and acknowledges that management recognise that whilst ongoing transformation and service redesign of the Council is a priority, service reduction will also be required to achieve medium to long-term financial sustainability. It is critical that the early engagement and buy-in of elected members and the public is progressed to ensure that there is sufficient lead in time to make the necessary changes in advance of the start of 2024/25 to deliver the full year impact of the savings agreed.

# 3.13 Wider Scope Requirements (continued)

## Financial sustainability

**Transformational change**

A Stirling Future Board was established in June 2021 to oversee the "Vital Few" transformation programme initiatives. These programmes, listed opposite, were identified as being likely to deliver significant returns on investment, or were likely to deliver step-change across the entire organisation. With the exception of the ERP programme (discussed further on the following page) and the Legal Case Management and Democratic Services Systems project, the other programmes are at a less advanced stage.

A Transformation Team is in place to support the organisation and services to develop business cases, ensure a robust governance process is in place to manage the transformation programmes and develop a standard set of templates and documentation for all staff to use.

The last Transformation Team update to elected members was in June 2022.

In view of the significant financial challenges faced by the Council, its approach to transformation has been recently refreshed with eight transformation themes agreed as summarised opposite. Each theme has been assigned a lead Senior Responsible Owner (SRO) from within the Senior Management Team (SMT) and have been asked to identify:

- Type of Resource Required;
- Who can be released from current teams;
- Review other work that could be stopped or reduced; and
- Backfill requirements.

In addition to the Vital Few programme and the newly agreed themes, other areas are reported and monitored by the Stirling Transformation Board including the City Region Deal, Implementing the Promise in Stirling and Health and Social Care Partnership (HSCP).

**Vital Few programmes**

- Enterprise Resource Planning (ERP) Programme
- Climate Emergency Planning
- Target Operating Model
- Social Care Replacement System
- Legal Case Management and Democratic Service Systems
- Waste Transformation
- Covid Recovery Programme

**Transformation themes**

- People Strategy
- Digital First
- Digital Service Centre
- Procurement and Spend Review
- Property Rationalisation
- Income Maximisation
- Operational Front Line Service Redesign
- Partnership Working and Shared Services

# 3.14 Wider Scope Requirements (continued)

## Financial sustainability

**Transformational change (continued)**

Each SRO reports into the Stirling Transformation Board to monitor progress. Cross cutting groups also sit alongside the Transformation Board, reporting into the Chief Executive as the SRO of the overall programme, as illustrated opposite.

Key requirements to achieving successful transformational change are ensuring that there is sufficient capacity and resources to deliver the change required and appropriate governance structure in place. While the agreement of the transformational themes is a positive step and there is an extensive programme or work being discussed at the Transformation Board, there is a need for this to be streamlined into a concise programme, with clear priorities and associated resources at a leadership level to drive forward the change. Significant work is still required to make the level of transformational change needed.

The Council need to ensure that it has the necessary skills and resources to implement the plans when developed. Responsibility for each workstream is currently sitting with members of the SMT, with no separate dedicated resource in place to drive forward the change needed as of November 2023. Subsequently in 2024, a Business Change and Transformation Team has been established.

The transformation programme needs to be fully aligned to the development of the MTFS by:

- Adding greater detail about individual projects;
- Setting clear timelines for each project;
- Assess the resources and support required to deliver these projects; and
- Developing a benefits realisation tracker to assess whether the Council has achieved its aims.

In 2021, the Council approved the purchase and implementation of an ERP solution to replace the core finance, procurement, HR and payroll and customer management systems. The ERP system implementation is overseen by the Stirling Transformation Board as part of the Council's transformation programme, with its own dedicated ERP Programme Board, Programme Team and Workstream leads.

# 3.16 Wider Scope Requirements (continued)

## Financial sustainability

**Deloitte view – Financial sustainability**

The Council has set a balanced budget for 2023/24, however, this was only achieved by using one-off solutions including use of reserves and service concession flexibility which is unsustainable. The level of uncommitted reserves as of 31 March 2023 was at the lower end agreed in the Council's reserves strategy and the latest monitoring reports for 2023/24 indicate an overspend is projected which would reduce the uncommitted reserves to below the minimum level. Subsequently the reserves position has improved in 2024. While management are in the process of preparing a Medium-Term Financial Plan, funding gaps of £12.7m and £17.5m are projected over the next two years. The Council is therefore not financially sustainable and urgent action is required.

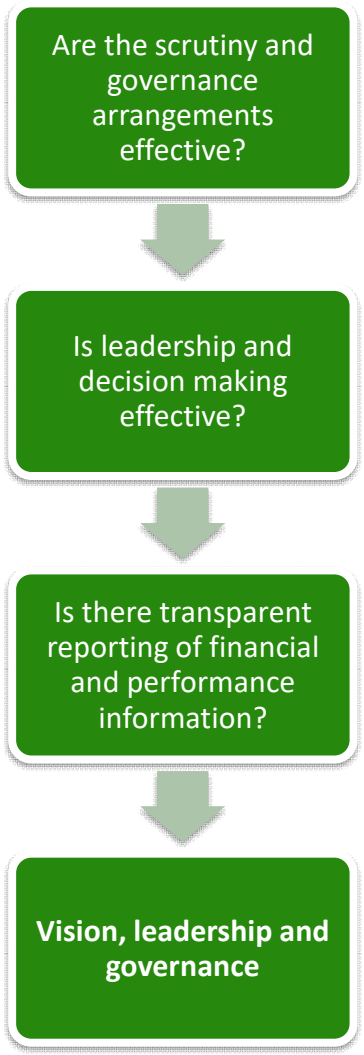
The early engagement in preparing for the 2024/25 budget is a positive step and management recognise that whilst ongoing transformation and service redesign of the Council is a priority, service reduction will also be required to achieve medium to long-term financial sustainability. The Council is faced with having to make difficult decisions to achieve financial sustainability therefore it is critical that the early engagement and buy-in of elected members and the public is progressed to ensure that there is sufficient lead in time to make the necessary changes in advance of the start of 2024/25 to deliver the full year impact of the savings agreed.

While the agreement of the transformational themes is a positive step and there is an extensive programme or work being discussed at the Transformation Board, significant work is still required to make the level of transformational change needed. Greater detail is required for each project, with clear timelines, assessment of the resources and support needed and a comprehensive benefits realisation tracker.

As one of the ongoing transformation projects, the ERP implementation has seen significant delays and as a result the anticipated savings are unlikely to be realised when initially planned. The delay is also impacted by the availability of resources being made available from services, which then have a corresponding impact on business-as-usual work within each service. There therefore remains a significant risk in fully implementing the ERP system. A Business Change Strategy and Plan needs to be developed to ensure successful delivery of the expected benefits of the project.

# 3.17 Wider Scope Requirements (continued)

## Vision, leadership and governance


Are the scrutiny and governance arrangements effective?
Is leadership and decision making effective?
Is there transparent reporting of financial and performance information?
Vision, leadership and governance

### Significant risks identified in Audit Plan

In our audit plan, we highlighted that following the local government elections in May 2022, the new Council administration agreed its 10 strategic priorities, setting out the overarching principles which will guide the Council's future decision making over the coming years. There is a risk that robust plans are not in place underlying these priorities to ensure they are delivered. We have considered this risk on the following pages.

### Vision and strategy

We have considered the Council's vision and strategy, and associated community engagement as part of the separate management report "Best Value thematic work 2022/23".

### Leadership

We have considered the Council's leadership as part of the separate management report "Best Value thematic work 2022/23".

### Governance and scrutiny arrangements

A revised Local Code of Corporate Governance was approved by the Audit Committee in August 2022. The revised Code is consistent with the best practice and good governance principles set out in the Delivering Good Governance in Local Government Framework.

The Audit Committee plays a key role in the governance arrangements of the Council and in line with best practice is chaired by a member of the Opposition. While the Audit Committee prepares an annual report setting out the members and meetings held during the year, the activities and decisions taken and provides an annual assurance statement to the Council, there is no formal self-evaluation of the effectiveness of the Committee in order to ensure that the governance and scrutiny framework is continually improving. We therefore recommend that the Audit Committee carries out an annual self-assessment, with the results published as part of its annual report.

# 3.18 Wider Scope Requirements (continued)

## Vision, leadership and governance (continued)

### Governance and scrutiny arrangements (continued)

Reference should be made to the CIPFA Position Statement: Audit Committees in Local Authorities and Police published in 2022, along with the associated self-assessment of good practice checklist Support for audit committees (cipfa.org). This would allow the Committee to identify any training needs or changes to the operation of the Committee. We are pleased to note that the Committee agreed at its meeting in August 2023 to carry out a self-assessment.

The Audit Committee also plays a key role on monitoring the Strategic Risks of the Council. An updated Risk Management Policy and Plan was approved by the Committee in June 2023, and an updated Strategic Risk Register considered by the Committee in August 2023.

We have reviewed meetings attendance from the past year and confirm that there has been good attendance. In addition, from attendance at meetings we can confirm that there is sufficient scrutiny and challenge exercised by members during the meetings.

### Transparency of reporting

The Council publishes all minutes and papers of all Committees on its website. All Committees and Panel meetings are also broadcast live, with recording available on the website. However, the structure of the website is very difficult to navigate and therefore papers for meetings are not readily accessible. We therefore recommend the Council review the structure of the website this to make these papers more readily available.

**Deloitte view – Vision, leadership and governance**

Our view of the vision and leadership of the Council has been considered as part of the separate management report "Best Value thematic work 2022/23".

The Local Code of Corporate Governance was recently revised and is consistent with the best practice and good governance principles set out in the Delivering Good Governance in Local Government Framework.

The Audit Committee plays a key role in the governance arrangements. In line with best practice, we have recommended that the Committee carries out an annual self-assessment to allow it to identify any training needs or changes to the Committee.

The Council continues to be open and transparent, with all Committee and Panel meetings broadcast live and available on the website. The structure of the website could be improved to make the access to agendas and papers more readily available.

# 3.19 Wider Scope Requirements (continued)

## Use of resources to improve outcomes

Are resources being used effectively to meet outcomes and improvement objectives?
Is there effective planning and working with strategic partners and communities?
Is Best Value demonstrated, including economy, efficiency and effectiveness?
Use of resources to improve outcomes

### Significant risks identified in Audit Plan

In our audit plan we highlighted that given the financial challenges faced by the Council and the changes in priorities, there is a risk that the Council is unable to demonstrate that resources are being used effectively with a focus on continuous improvement.

### Performance management framework

We have considered the Council's performance management framework, and how it aligns to the Council's vision and priorities, as part of the separate management report "Best Value thematic work 2022/23".

### Statutory performance indicators

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. This responsibility links with the Commission's Best Value (BV) audit responsibilities. In turn, councils have their own responsibilities, under their BV duty, to report performance to the public. The Accounts Commission Statutory Performance Information Direction requires a council to report a range of information in the areas listed below

### SPI 1: Improving local services and outcomes

- Performance in improving local public services, both provided by the Council an in conjunction with its partners and communities.
- Progress against desired outcomes agreed with its partner and communities.

### SPI 2: Demonstrating Best Value

- The Council's assessment of how it is performing against its duty of BV, including self-assessments and service review activity, and how it plans to improve against this assessment;
- Audit assessments (including those in the annual audit) of how its performance against its Best Value duty, and how it has responded to these assessments; and
- Assessments from other scrutiny and inspection bodies, and how it has responded to these assessments.

# 3.20 Wider Scope Requirements (continued)

## Use of resources to improve outcomes

### Statutory performance indicators (continued)

We have evaluated the effectiveness and appropriateness of the arrangements that the Council has in place, including the appropriateness of the information provided to members in responding to the Direction and concluded as follows:

- The Council produces an annual performance report demonstrating its performance across its strategic priorities, and closely aligning with the Community Planning Partnership strategic outcomes;
- Performance information is considered by the relevant Service Committee;
- The Council participates in the Local Government Benchmarking Framework (LGBF) which brings together a wide range of information about how all Scottish Council's perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them; and
- Performance reporting dashboards are provided on the Council's websites for various services of the Council.

Based on the above, we are satisfied that the arrangements are appropriate. As discussed in more detail in our separate management report "Best Value thematic work 2022/23", the Council has only recently updated its Key Performance Indicators (KPIs) to support its priorities that were agreed in December 2022.

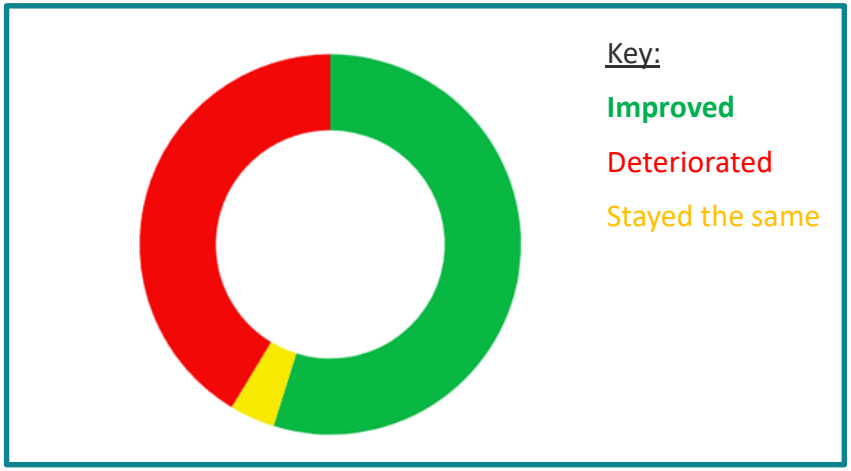
### Self-evaluation arrangements

We have considered the Council's self-evaluation arrangements, as part of the separate management report "Best Value thematic work 2022/23".

### Performance data

The graph below shows the proportion on LGBF Indicators that have improved, deteriorated or stayed the same over time, based on the latest data available from the Improvement Service.

We have also provided a summary of the latest performance reported by the Council on pages 48 to 49. This incorporates a summary of the performance of its KPIs to monitor its strategic priorities, and a summary of the indicators that are reported as part of the LGBF.



# 3.21 Wider Scope Requirements (continued)

## Use of resources to improve outcomes

**Performance data (continued)**

This data demonstrates that:

- a high proportion of the KPIs are in line with the desired trends;
- Almost 50% of LGBF indicators are showing a decreasing level of performance;
- There is a large swing in ranking across Scotland, with 46 indicators showing a positive ranking change, offset partly by 41 showing a negative change; and
- This swing is less visible when comparing with Family Groups, with 27 indicators showing a positive change, offset partly by 25 showing a negative change. 48 Indicators have remained ranked the same when comparing with Family Groups.

**Deloitte view – Use of resources to improve outcomes**

Our view on the Council's performance management framework has been considered as part of the separate management report "Best Value thematic work 2022/23".

There are appropriate arrangements in place to comply with the SPI Direction, including its public performance reporting requirements.

# 3.22 Wider Scope Requirements (continued)

## Best value

**Requirements**

It is the duty of the Council to secure Best Value as prescribed in Part 1 of the Local Government in Scotland Act 2003**.** We have a statutory duty to be satisfied that the Council have made proper arrangements for securing BV.

**Conclusions from Audit Work**

Under the new Code of Audit Practice, the audit of Best Value is fully integrated within the annual audit work. We have evaluated and reported on the performance of the Council in meeting its Best Value duties as follows:

1. **Follow-up and risk-based work.** We have followed up on Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports (BVAR) on page 45 to 47 and the Annual Audit Reports on pages 66 to 70. Our risk-based work is considered on pages 24 to 43.

2. **Service Improvement and reporting.** We have assessed how effectively the Council demonstrates service improvement on pages 42 to 43. We have provided a summary of the information the Council reports publicly on its service performance on pages 48 to 49.

3. **Thematic reviews.** We have reported our conclusions on the thematic work for 2022/23 on "the effectiveness of council leadership (officers and elected members) in developing new local strategic priorities following the election in May 2022" in our separate management report, issued at the same time as this report.

4. **Contributing to Controller of Audit reports.** Stirling is due to be reported to the Accounts Commission in year 4 of our appointment (2026/27).

**Deloitte view – Best Value**

The Council has appropriate and effective best value framework in place and has continued to make positive progress in addressing the recommendations contained in the 2019 BVAR. The Council has a clear understanding of areas which require development.

Financial sustainability is the biggest risk that the Council face and it is critical that plans are developed at pace, with comprehensive engagement with elected members and the community. The Council is faced with having to make difficult decisions to achieve financial sustainability, therefore early engagement and buy-in is essential.

# 3.23 Wider Scope Requirements (continued)

## Follow-up on Accounts Commission findings

**Best Value Assurance Report**

We have assessed the Council's progress against each of the recommendations made, as summarised in the table below. Of the 10 recommendations, 6 have been complete.

| Recommendation – August 2019 | Status | 2022/23 Update |
|---|---|---|
| 1. The council needs to introduce a structured approach to self-evaluation to deliver continuous improvement. In particular, the performance management framework needs to be refined to identify and prioritise areas for improvement in line with the council's priorities. | | Reported as 80% complete. The Council's Continuous Improvement and Self-assessment approach was approved by the OGB in November 2022. An annual plan is now in place and the 2022/23 programme underway. This includes the four PSIF service based self-assessments and the improvement work delivered through the Business Management System. It is anticipated that the need for Service Design projects will flow from the improvement actions identified from the four PSIF self-assessment exercises. |
| 2. The council should demonstrate that they use benchmarking and customer satisfaction information to identify areas for improvement and identify other councils that they could discuss good practice with. | | Reported as 80% complete. Stirling Council's 2022 Residents' Survey commenced in September 2022 and the results will provide baseline customer satisfaction measures to evaluate improvement against future surveys.<br>A new customer service strategy is planned for the 3rd quarter of 2023. |

# 3.24 Wider Scope Requirements (continued)

## Follow-up on Accounts Commission findings (continued)

| Recommendation – August 2019 | Status | 2022/23 Update |
|---|---|---|
| 3. Performance reports for councillors should be refined to include key indicators which show performance over time against the council's priorities. | | Reported as completed. Ongoing annual service planning process in place, with delivery plan actions linked to Council Key Priorities. Key Priority Reports produced quarterly for Elected Members. As discussed further in our separate report "Best Value thematic work 2022/23", comprehensive service plans have still to be developed to align to the Council's new priorities. |
| 4. The council needs to improve its public performance reporting, to show a summary of the council's performance against the business plan objectives. | | Completed. The Council Annual Performance Report has been reviewed and information is now grouped under the Council Key Priorities. Additional performance indicators have been added to provide a more rounded picture of performance. |
| 5. Councillors should increase attendance at training courses and agree on actions to improve attendance rates. Personal development plans for councillors should be considered. | | Completed. A variety of training courses and conferences have been attended by Councillors and training and attendance records are available for the past 5-years.<br><br>As discussed further in our separate report "Best Value thematic work 2022/23" we continue to recommend personal development plans are developed in line with best practice. |

# 3.25 Wider Scope Requirements (continued)

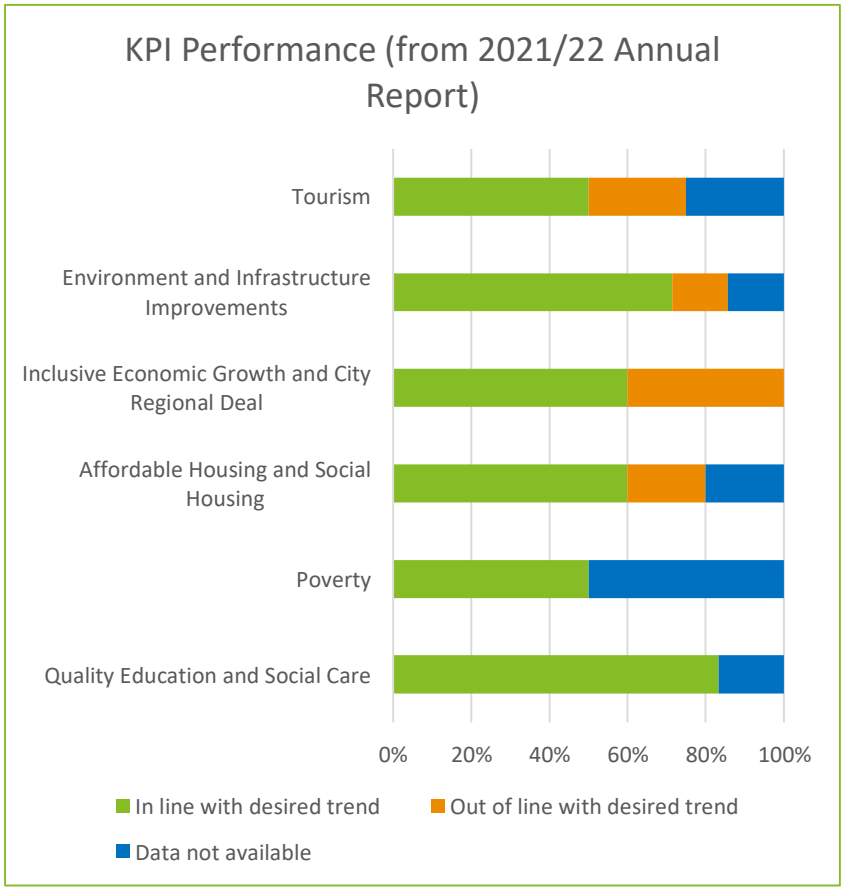
## Follow-up on Accounts Commission findings (continued)

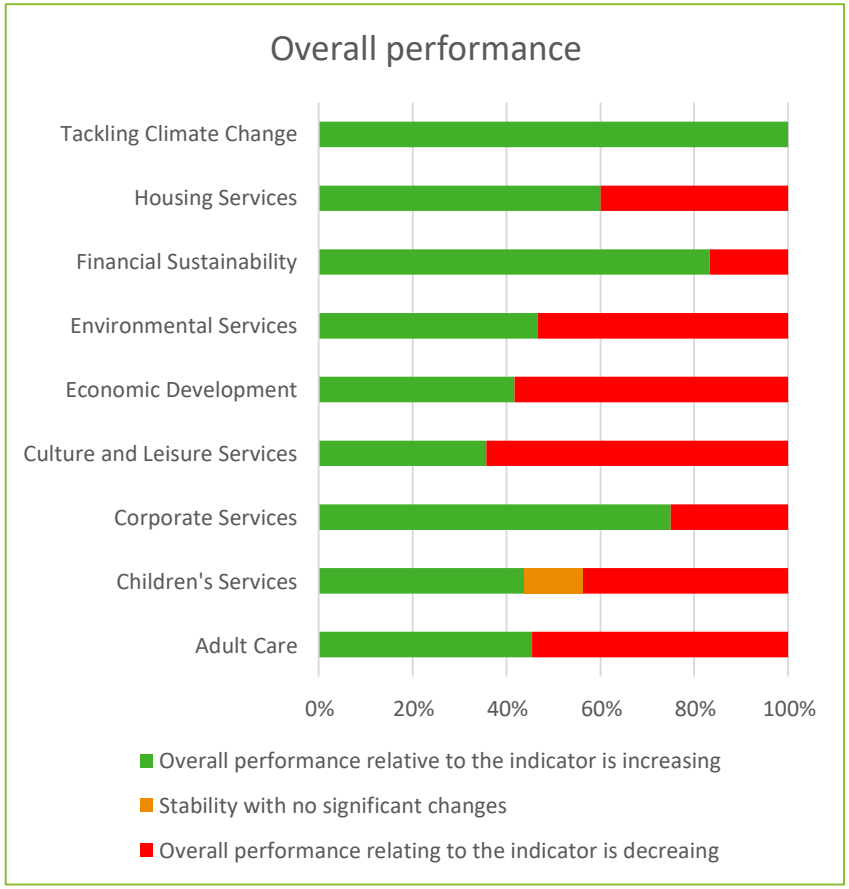
| Recommendation – August 2019 | Status | 2022/23 Update |
|---|---|---|
| 6. The council should develop a more regular and structured approach to staff consultation and engagement. | | Reported as 75% complete. Work continues to implement the new ERP system. This includes functionality which will enable vast improved communication and engagement with employees. |
| 7. The council should complete its residents' satisfaction survey in 2019 and demonstrate how it uses the results to inform future council decisions. | | Reported as 60% complete. The 2022 survey was held in October and November 2022 and the results will be taken to the council in March 2023. Services will use the outputs form the survey to create improvement action plans. |
| 8. The council needs to approve the three outstanding locality action plans without delay, to comply with the requirements of the Community Empowerment (Scotland) Act 2015. | | Completed. All 8 locality action plans are now complete and final. |
| 9. The CPP should complete its review of reporting structures and report performance against its local outcome indicators. | | Completed. CPP reporting structure is complete. Framework now implemented. |
| 10. The council should review and report on whether the structure of its ALEOs remain fit for purpose | | Completed. A report was presented to the Finance and Economy Committee on the ALEOs and Economic Partnership Review. 6-month reports on relevant ALEO and Strategically Funded Operations are included on the Community Planning and Regeneration Committee workplan. |

# 3.26 Wider Scope Requirements (continued)

## Service performance

The below data summarises the number of KPI's where performance was either in line with desired trend, out of line with desired trend or where data is not available, against the Council's six Strategic Priorities, as reported in its 2021/22 Annual Report.



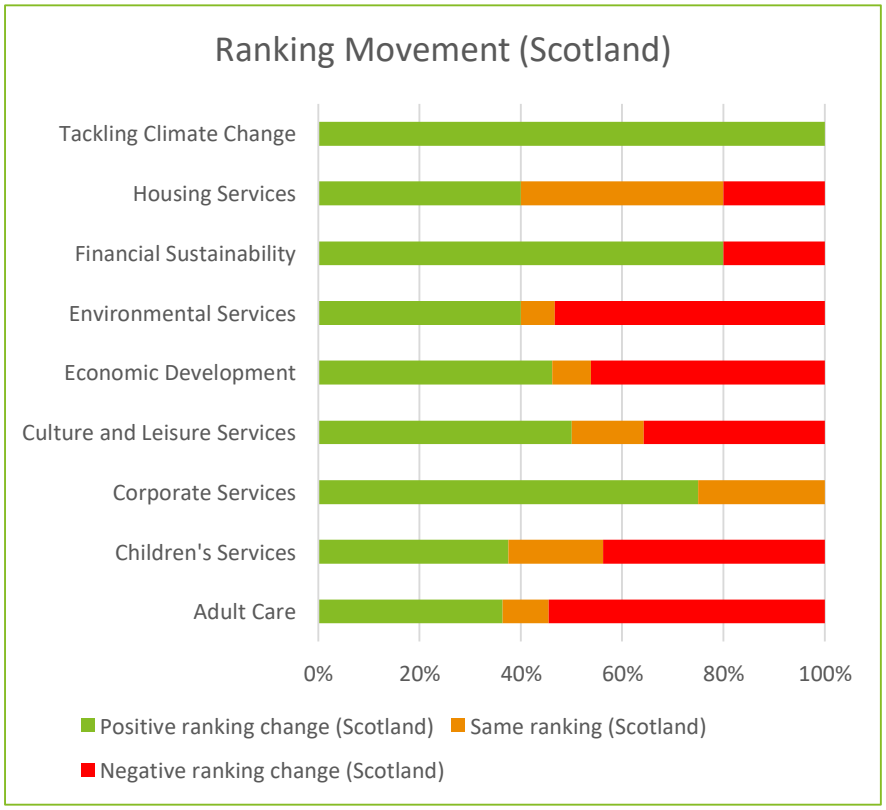



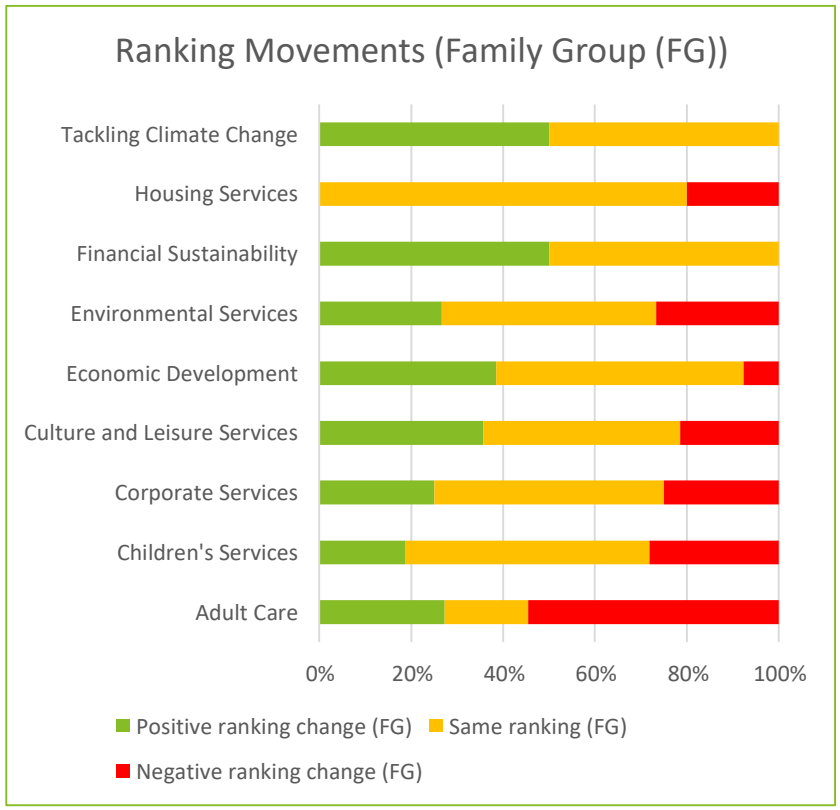

The above data summarises the number of KPIs within each service where overall performance relative to the indicator is increasing, stable or decreasing, as reported in the LGBF report for 2020/21.

# 3.27 Wider Scope Requirements (continued)

## Service performance (continued)

The below data summarises how Stirling Council's ranking has moved, relative to the whole of Scotland, as reported in the LGBF report for 2020/21.




The above data summarises how Stirling Council's ranking has moved, relative to its Family Group, as reported in the LGBF report for 2020/21.

# 3.28 Wider Scope Requirements (continued)

## Climate change

### Risks identified in Audit Plan

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impact of climate change.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work. For the 2022/23 audit, we have provided responses to a series of questions supplied by Audit Scotland to gather basic information on the arrangements for responding to climate change in each body. These are summarised below. We have taken cognisance of the work carried out by Internal Audit, as reported in its report "Ecological Emergency and Climate Change" published in October 2023 as part of our responses.

| Question | Stirling Council's position |
|---|---|
| 1. What targets has the body set for reducing emission in its own organisation or in Its local area? | The Council, within its Climate and Nature Emergency (CaNE) Plan, sets out its overall target in line with the national targets, to achieve net zero carbon by 2045 and be carbon neutral for its own operations by 2035. The plan then sets out now the individual national targets are translated to the Stirling Council area, both for interim targets and the 2045 target.<br><br>As highlighted in Audit Scotland's publication Scotland's councils' approach to addressing climate change \| Audit Scotland (audit-scotland.gov.uk), Stirling Council is one of a small number of Councils to have explicitly stated interim targets to reduce area-wide emissions. |
| 2. Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets? | The Council approved a CaNE Plan in 2021 to cover the period 2021-2045. This set out a clear vision, to be delivered through five objectives and each objective implemented in three ways – Lead, Enable and Inspire. Failure to proportionately respond to the ongoing ecological emergency and climate change is also recognised a s high risk on the Strategic Risk Register.<br><br>The Plan includes a 5-year Action Plan setting out key actions over the first 5-years of the Plan and recognises that action plans will continue to be refined to 2045. The Council have ambitious plans in place, which are needed if Scotland is to meet its climate change goals. It is essential that as detailed delivery plans are developed, the Council is transparent about the gaps and challenges that exist in achieving its targets. |

# 3.29 Wider Scope Requirements (continued)

## Climate change (continued)

| Question | Stirling Council's position |
|---|---|
| 2. Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets? (continued) | Audit Scotland's publication Scotland's councils' approach to addressing climate change \| Audit Scotland (audit-scotland.gov.uk), recommends that plans should include detailed route maps that set out:<br>• Interim targets to track progress towards longer-term targets;<br>• How and to what extent individual actions will contribute to emissions reductions;<br>• Costs and budgets for the intended actions, gaps in financing and intended actions to secure funding;<br>• How actions to reduce emissions might have co-benefits for, or impact on, adaption actions; and<br>• A clear timetable for reviewing actions and publishing update reports on progress.<br><br>Internal Audit has made a number of recommendations as part of its review which included the need for all corporate policies across to be reviewed to ensure they incorporate net-zero and the need to develop a timeline for developing the Climate Emergency Planning Programme business case to determine the level of cashable and non-cashable benefits that will be achieved, and the estimated level of funding and source(s) of funding required to deliver the CaNE Plan. |

# 3.30 Wider Scope Requirements (continued)

## Climate change (continued)

| Question | Stirling Council's position |
|---|---|
| 3. How does the body monitor and report progress towards meeting its emissions targets internally and publicly | A CaNE Officer Board has been established and leadership has been identified for specific functions to take forward respective programmes. The Board has also established a set of priority working groups that will be developed around the following themes:<br>• Communication planning<br>• Effective net zero decision making<br>• Planning development<br>• Net zero strategic alignment across services and with partners.<br><br>A Member Officer Group (MOG) was agreed in June 2022 and has met regularly. The working groups are in various stages of development and will report back to the Board and the MOG later in 2023. Formal reporting on progress against the plan is reported to the Environment Transport and Net Zero Committee.<br><br>In accordance with the Climate Change (Scotland) Act 2009, the Scottish Government Statutory Order from 2015 and the 2020 Climate Change Duties Amendment Order, the Council publishes an annual report "Sustainable Stirling: Public Bodies' Climate Change Duties and Climate and Nature Emergency Plan". The most recent report covers the period April 2021 to March 2022.<br><br>Internal Audit has made a number of recommendations as part of its review including the need to ensure minutes of meetings record all agreed actions and decisions taken across the various Board's and working groups. |

# 3.31 Wider Scope Requirements (continued)

## Climate change (continued)

| Question | Stirling Council's position |
|---|---|
| 4. Has the body considered the impact of climate change on its financial statements? | Given the early stages of developing the CaNE Plan, no specific consideration has been given to the impact of climate change on the financial statements. Areas that may need to be considered in the future could include the useful economic lives of assets, new provisions or new sources of uncertainty. |
| 5. What are the areas of the financial statements where climate change has, or is expected to have, a material impact? | Potential impact could be around Property, Plant and Equipment balances, provisions, contingencies and new estimation uncertainties as well as the budgetary implications of the Plan. |
| 6. Does the body include climate change in its narrative reporting which accompanies the financial statements and is consistent with those financial statements? | The Council has included reference to climate change in the Management Commentary as part of its discussion of its key risks. The disclosure is, however, very high level and should therefore be expanded in the future to set out in more detail the Council's exposure to climate-related issues and how it is monitoring and managing these reports. The narrative should include both the Council's impact on the environment and the impact that climate change may have on the Council's future. Hyperlinks could then be added to where further information is published, for example the CaNE Plan and the Annual Report. |

**Deloitte view – Climate change**

Stirling Council has a comprehensive Climate and Nature Emergency Plan and is reporting annually in accordance with the regulation and legislation. Detailed governance arrangements are in place, with various working groups at different stages of development. Internal Audit has made a number of recommendations to improve the governance arrangements as these are further developed. It is essential that as detailed delivery plans are developed, the Council is transparent about the gaps and challenges that exist in achieving its targets.

Once further developed, the Council should consider any potential impact on its financial statements. In addition, the narrative within the Management Commentary should be enhanced to include more details on what work the Council is doing, providing hyperlinks to where information is published elsewhere.

# 3.31 Wider Scope Requirements (continued)

## Cyber risk

| Area | Management actions | Impact on Stirling Council's Annual Accounts | Impact on our audit |
|---|---|---|---|
| Cyber risk | Stirling Council recognises cyber risk as part of its Strategic Risk Register.<br><br>As part of the Internal Audit programme for 2022/23, a review was due to be carried out of cyber resilience and threat management. This review had been carried forward from the 2021/22 internal audit plan and included reviewing the arrangements for implementing, monitoring and reporting progress on the lessons learned from the December 2020 SEPA cyber security incident. This has been subsequently carried forward to the 2023/24 internal audit programme.<br><br>While this delay has not impacted on the internal auditor's overall opinion for 2022/23, given the Strategic Risk for the Council and the wider risk of cyber-attacks across the public sector, it is important that this review is progressed as planned in 2023/24 to assess the appropriateness of the cyber security arrangements in place. | No specific reference is included in the Annual Accounts. Consideration should be given as to whether this should be incorporated into the section in the Management Commentary where the Council's risks are discussed. | We have obtained an understanding of the business and its internal controls in relation to cyber including assessing the maturity and coverage of the entity's cyber risk management programme.<br><br>We obtained an understanding of the relevant laws and regulations in relation to the entity. |

# 4.1 Purpose of our Report and Responsibility Statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Audit Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Accounts.
- Our internal control observations
- Other insights we have identified from our audit.

### The scope of our work

Our observations are developed in the context of our audit of the Annual Accounts.

We described the scope of our work in our audit plan.

### Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

### What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

**Deloitte LLP**

Glasgow | 9th August 2024

# Sector Developments

# 5.1 Sector Developments

## Local Government Overview 2023

### Background and overview

In August 2020, the Accounts Commission agreed a strategic medium-term approach to reporting on the impact of the Covid-19 pandemic. This approach committed to producing a series of annual overview reports over a three-year period. This report:

- is the third and final overview report in the series
- builds on the previous reports in the series and examines:
  - how has the pandemic affected councils and their performance?
  - what are the current and future challenges facing local government?
  - how well placed are councils to deal with the current and future challenges?
- draws on findings from the financial bulletin, considering these in the context of the wider overview.

The findings of this report are drawn from 2021/22 annual audits, performance and best value audit work carried out during 2022 and from specific research and analysis of available data and intelligence.

### Next steps

The Council should consider each of the recommendations on the next page and incorporate into plans where not already considered. The full report is available through the following link: Local Government in Scotland 2023

# 5.1 Sector Developments

## Local Government Overview 2023

**Key messages**

- Finances and resources - Budget constraints and increasing cost pressures are putting councils' finances under severe strain.
- Community needs and inequalities - The pandemic has affected performance across all service areas. There are signs of growing backlogs and declining performance in some service areas.
- Collaboration - The scale of the challenges ahead means that radical change is needed. It is only by working more collaboratively that councils and their local partners, communities and the third sector will be able to provide sustainable local services and deliver a significant programme of national reform to tackle issues such as climate change, child poverty and inequalities.
- Leadership - Leaders must think radically and make fundamental changes to how councils operate in future, building on the collaborative and innovative ways of working many demonstrated during the pandemic.
- Workforce - Increasing workforce challenges, including a competitive labour market and high sickness absence levels, are putting councils under continued pressure.

**Recommendations (relevant to Councils)**

- Councils need to set out medium- to long-term financial plans that detail: (1) how they will make recurring savings and reduce reliance on reserves to fill budget gaps (2) how council resources are targeted to achieve their long-term policy and performance priorities.
- Councils should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need. Councils should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources. This includes equalities data and learning from those with lived experience.
- Councils need to maximise the potential of collaboration by demonstrating they are: (1) working with other councils, the wider public sector and the third sector to redesign and provide services (2) involving service users and local communities in the redesign of services.
- Councils' leaders need to invest time and capacity in thinking radically about their future operating model, and: (1) be open and clear with communities and staff about the need for change, what that means for future service delivery and involve communities in making difficult decisions (2) set out a clear vision for their long-term policy and performance priorities, and how it will be delivered and monitored (3) work with the Scottish Government to rebuild an effective Relationship.
- Councils need to improve workforce planning to effectively develop and deploy their existing workforce. This includes: (1) building the capacity, skills, strategic thinking and comprehensive workforce data needed for effective workforce planning (2) updating workforce plans to reflect new models of service delivery and ways of working.

# Appendices

# 6.1.1 Action Plan

The following recommendations have arisen from our 2022/23 audit work:

| Recommendation | Management Response | Priority | Responsible Person | Target Date |
|---|---|---|---|---|
| **1. Charitable Trusts.**<br>The Consolidated Small Charitable Trusts income is less than £100,000 and therefore eligible for accounts to be prepared on a receipts and payments basis. The Council should consider this for future years to reduce the administrative and audit burden in preparing these accounts. | This will be considered for the 2024/25 financial year. | Low | George Murphy (Finance Service Manager) | March 2025 |
| **2. Financial management**<br>The financial reporting to Committee could be enhanced by incorporating the following:<br>• A clear reconciliation from the original approved budget to the revised budget updated and reported against during the year.<br>• Clearly identifying the savings targets incorporated into the budget and then monitoring against these to assess whether they have been achieved as planned. It is currently not possible to establish, from the reporting the Committee, what level of savings have been achieved. | Improvements were made to reporting to the Finance, Economy & Corporate Services Committee during 2023/24, however management recognises that further improvement could be made. Improvements will be made iteratively throughout 2024/25. | Low | Martin Clark (Finance Transformation Lead) | March 2025 |

# 6.1.2 Action Plan (continued)

| Recommendation | Management Response | Priority | Responsible Person | Target Date |
|---|---|---|---|---|
| **3. Financial management**<br>Improvements are required to the capital budget setting and monitoring process to ensure that realistic budgets are set, with clear timelines and links with the capital investment requirements of the Council. This should include a clear link to the impact on service delivery or transformation where there is slippage in projects. | Council set its first whole-organisation Capital Strategy in September 2023, which provides greater strategic direction and clarity in terms of the Council's capital investment approach.<br><br>Capital Delivery Board, chaired by the Chief Operating Officer – Infrastructure & Environment, is undergoing a refresh and will provide Officers with the grip and control required to deliver the capital investment programme. This will be reflected in the budget monitoring process. | Medium | Martin Clark (Finance Transformation Lead) | March 2025 |

# 6.1.2 Action Plan (continued)

| Recommendation | Management Response | Priority | Responsible Person | Target Date |
|---|---|---|---|---|
| **4. Financial sustainability – budget setting**<br>In setting its budget, the Council needs to provide greater clarity on how its decisions link with its agreed priorities. | Council has engaged extensively with the public ('Big Conversation') in order to both inform budget decisions and to provide greater transparency on how and why budget decisions are being considered.<br><br>Officers and Members have engaged effectively through a budget delivery framework to ensure budget decisions align with the strategic priorities of Council and Services.<br><br>The budget setting approach and alignment with priorities will be further developed as part of 2025/26 budget setting. | Medium | Martin Clark (Finance Transformation Lead) | March 2025 |
| **5. Financial sustainability – budget setting**<br>The Council should set out within its budget papers any other specific mitigating actions that could impact on the achievement of a balanced financial position aligned to its key risks. | Council has had no issues previously in fully articulating risks involved in delivering balanced budgets. There are dedicated sections in budget papers and monitoring reports. The Council will consider if any additional information can be included. | Medium | Martin Clark (Finance Transformation Lead) | March 2025 |

# 6.1.3 Action Plan (continued)

| Recommendation | Management Response | Priority | Responsible Person | Target Date |
|---|---|---|---|---|
| **6. Financial sustainability – reserves**<br>The finance monitoring reports should be expanded to give members an update on progress with the use of the earmarked reserves to ensure that they are being actively monitored and being applied for the purposes intended. | A dedicated report on earmarked reserves was submitted to Finance, Economy & Corporate Support Committee in February 2024, and this will form part of regular reporting to the Committee in future. | Medium | George Murphy (Finance Service Manager) | September 2024 |
| **7. Financial sustainability – reserves**<br>The Council should review the need for such a large number of earmarked reserves (currently over 150 separate earmarked reserves ranging from balances less than £5,000 to £6m) and whether these should be getting managed as part of the individual services budgets rather than being treated separately as reserves. The administrative burden of managing and monitoring over 150 separate reserves is excessive. | This review has taken place, a paper went to FECS in February 2024 which informed 24/25 budget setting. | Medium | George Murphy (Finance Service Manager) | February 2024 |

# 6.1.3 Action Plan (continued)

| Recommendation | Management Response | Priority | Responsible Person | Target Date |
|---|---|---|---|---|
| **8. Financial sustainability – business change** A Business Change Strategy and Plan is developed, covering details such as business readiness, change management and impact, communication and training. This should be aligned to the different workstreams of business change. | Strategic approach to Business Change is being developed alongside the Council's updated transformation programme, and will enable the delivery of effective transformation. The Business Change function will develop further as the transformation programme is rolled out. | Medium | Lawrence Hay (Head of Customer Service & Performance) | March 2025 |

# 6.1.4 Action Plan (continued)

| Recommendation | Management Response | Priority | Responsible Person | Target Date |
|---|---|---|---|---|
| **9. Vision, leadership and governance**<br>The Audit Committee should carry out an annual self-assessment, with the results published as part of its annual report. Reference should be made to the CIPFA Position Statement: Audit Committees in Local Authorities and Police published in 2022, along with the associated self-assessment of good practice checklist Support for audit committees (cipfa.org). This would allow the Committee to identify any training needs or changes to operation of the Committee. | An annual self-assessment for the Audit Committee took place in 2023/24 and will be reflected in the Audit Committee Annual Report in August 2024. | Medium | Julia McAfee (Chief Officer – Governance) | August 2024 |

# 6.1.5 Action Plan (continued)

| Recommendation | Management Response | Priority | Responsible Person | Target Date |
|---|---|---|---|---|
| **10. Climate change**<br>The climate change plans should include detailed route maps that set out:<br>• Interim targets to track progress towards longer-term targets;<br>• How and to what extent individual actions will contribute to emissions reductions;<br>• Costs and budgets for the intended actions, gaps in financing and intended actions to secure funding;<br>• How actions to reduce emissions might have co-benefits for, or impact on, adaption actions; and<br>• A clear timetable for reviewing actions and publishing update reports on progress. | Through implementation of the Council's Climate and Nature Emergency (CaNE) plan, and through the CaNE Officer Board, key aspects including benefits tracking, financial implications, and project delivery, will be monitored and reported. | Medium | Ann Jacob-Chandler (Head of Economic Development, Planning & Climate Change) | March 2025 |

# 6.1.6 Action Plan (continued)

| Recommendation | Management Response | Priority | Responsible Person | Target Date |
|---|---|---|---|---|
| **11. Climate change – Management Commentary**<br>The disclosure in the Annual Report should be expanded to set out in more detail the Council's exposure to climate-related issues and how it is monitoring and managing these reports. The narrative should include both the Council's impact on the environment and the impact that climate change may have on the Council's future. Hyperlinks could then be added to where further information is published, for example the Climate and Nature Emergency Plan and the Annual Report. | To be considered for 2023/24 annual accounts. | Medium | George Murphy (Finance Service Manager) | June 2024 |
| **12. Cyber risk – Management Commentary**<br>Consideration should be given as to whether cyber risk should be incorporated into the section in the Management Commentary where the Council's risks are discussed. | To be considered for 2023/24 annual accounts. | Medium | George Murphy (Finance Service Manager) | June 2024 |

# 6.2.1 Follow-Action Plan

We have followed up the recommendations made in by the previous auditors. We are pleased to note that the 6 recommendations have been fully implemented as documented below.

| Recommendation | Management Response | Management update 2022/23 |
|---|---|---|
| **1. Valuation of non-current assets**<br>Management should put in place a process to ensure that an assessment of the value of assets not revalued in year is carried out on an annual basis. | The process for determining the value of non-current assets that have not been valued in year will be developed as part of the planning for the 2022/23 close down and audit<br><br>**Responsible Officer:** Chief Officer – Finance<br>**Target Date:** January 2023 | A process has been established and undertaken for the 22/23 revaluation of assets. The Finance team will continue to work with Estates colleagues to develop and further improve revaluation processes.<br>***Fully implemented*** |
| **2. Inflation Assumptions**<br>The Council should review assumptions regarding how inflation will impact future PFI costs. | Future PFI/PPP cost assumptions will be assessed in line with relevant inflation factors.<br><br>**Responsible Officer:** Chief Officer – Finance<br>**Target Date:** March 2023 | Future PFI/PPP cost assumptions included in the 2022/23 draft annual accounts have been assessed and updated in line with relevant inflation factors.<br>***Fully implemented*** |
| **3. Reconciliation processes**<br>The Council should review its processes and ensure that key reconciliations are regularly carried out. | Key reconciliations will be undertaken on a regular basis throughout the year<br><br>**Responsible Officer:** Chief Officer – Finance<br>**Target Date:** January 2023 | Other staff are now being trained on key reconciliations (Sundry Debtors, NDR, CTax). New spreadsheet formats being set up to replace previous paper-based reconciliations. Housing – new Accountant will review processes and ensure timely reconciliations are in place.<br>***Fully implemented*** |

# 6.2.2 Follow-up Action Plan (continued)

| Recommendation | Management Response | Management update 2022/23 |
|---|---|---|
| **4. Receipt of data from group components**<br>In 2020/21 audit adjustments were processed as a result of updated information being received from group components after the preparation of Stirling Council's unaudited Annual Accounts.<br>*Recommendation:* Work with partner bodies to increase the accuracy and timeliness of information on group components.<br>*2021/22 update:* There was no significant change in the quality of data from group components. | The closedown timetable will be updated to ensure timely information can be received from partner bodies. This will be shared with these bodies to ensure the expectations of all parties are clear.<br><br>**Responsible Officer:** Chief Officer – Finance<br>**Target Date:** January 2023 | Due to Stirling Council's tight closedown deadlines for its draft accounts, partner bodies are only able to provide closing management accounts incorporating a P&L account and Balance Sheet as a minimum. A further request for partners' updated financial information (where available) is issued in August for the audited version of the accounts.<br>***Fully implemented*** |
| **5. Target value for uncommitted reserves**<br>Stirling Council has exceeded the target level of uncommitted reserves set out by its reserves policy for the last 4 years.<br>*Recommendation:* The Council should assess whether the target value for uncommitted reserves remains appropriate.<br>*2021/22 update:* The value of uncommitted reserves exceed the target value in 2021/22. | Finance will review the reserves policy and consider its suitability in the context of Stirling's financial position. The CFO will consider a risk-based approach to the reserves policy in tandem with the medium-term financial plan process.<br><br>**Responsible Officer:** Chief Officer – Finance<br>**Target Date:** May 2023 | The closing position of uncommitted reserves for 2022/23 was £5.682m being 2.3% of budget and within the target range 2% - 2.5% of budget.<br><br>The Council when setting the 2023/24 budget agreed to maintain the target range at 2% - 2.5% of budget.<br>***Fully implemented*** |

# 6.2.3 Follow-up Action Plan (continued)

| Recommendation | Management Response | Management update 2022/23 |
|---|---|---|
| **6. Performance reporting with the Management Commentary**<br><br>Non-financial information within the Management Commentary meets the statutory requirements but could be improved.<br><br>*Recommendation:* The Council should take advantage of the quality performance reporting that is provided in committee papers to include performance data within the management commentary that is more relevant and specific to the challenges the Council faces.<br><br>*2021/22 update:* There has been some improvement in 2021/22, but there remains an opportunity to make better use of the quality performance reporting that is submitted to Council committees. | The Council continues its improvement journey in relation to the provision of performance management information. Once the priorities of the new administration are agreed, this will provide an ideal opportunity to review what is included in the Management Commentary for the 2022/23 accounts.<br><br>**Responsible Officer:** Chief Officer – Finance<br>**Target Date:** January 2023 | The performance information included within the Management Commentary was reviewed and updated for the 2022/23 draft accounts.<br><br>***Fully implemented*** |

# 6.2.4 Follow-up Action Plan (continued)



| Recommendation | Management Response | Management update 2022/23 |
|---|---|---|
| **7. Accessibility of meeting papers**<br><br>Full meeting papers, including detailed reports, are only freely available on the Council website for the most recent meetings<br><br>*Recommendation:* The Council should take action to resolve the issue currently affecting historic meeting papers and ensure these are fully accessible.<br><br>*2021/22 update:* This recommendation is still relevant in 2021/22. | IT has found a resolution to the issue that has meant that committee and council papers, other than the most recent versions, are not accessible from the Council website. The issue arose as a consequence of our internet browser becoming obsolete. We have identified a solution and the last 6 years of Council papers are now available on the website. A plan is now in progress to ensure all papers are available from the website by March 2023.<br><br>**Responsible Officer:** Senior Information Officer<br>**Target Date:** March 2023<br><br>The Council has agreed, as part of its transformation programme, to the development of a project to implement dedicated committee management software, which will also provide public access to all council and committee papers. Procurement options for this software are being identified.<br><br>**Responsible Officer:** Chief Officer - Governance<br>**Target Date:** June 2023 | The Council has agreed, as part of its transformation programme, to the implementation of a dedicated committee management system, which will support the creation and collation of Council and committee papers, and also provide improved public access to future papers. This system has been procured and an implementation plan developed<br>***In Progress***<br><br>**Revised Target Date: August 2024** |

# 6.2.5 Follow-up Action Plan (continued)



| Recommendation | Management Response | Management update 2022/23 |
|---|---|---|
| **8. Capital Programme**<br>The general fund capital programme experienced slippage in 2019/20. The general fund has experienced slippage in each of the last six financial years.<br>*Recommendation:* The Council should ensure that any slippage and reprofiling of general fund capital projects continues to support the Council's strategic priorities.<br>*2021/22 update:* This recommendation is still relevant in 2021/22. | A review of the 22/23 programme will be presented to Council in December 2022. The profiling and monitoring arrangements for the capital programme moving forward are currently under review, in conjunction with the Chief Operating Officer and relevant Heads of Service.<br><br>**Responsible Officer:** Chief Officer – Finance<br><br>**Target Date:** February 2023 | The 2022/23 capital programme experienced significant slippage. For 2023/24, improvements have been made to profiling and monitoring arrangements with Senior Management status reports now being presented to Capital Delivery Group on a monthly basis. These reports set out key risk areas around project delivery and allow for earlier interventions and escalation as required.<br>***Fully Implemented*** |
| **9. Financial Sustainability**<br>The Covid-19 pandemic has introduced further financial challenges.<br>*Recommendation:* The Council should update its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.<br>*2021/22 update:* The Council monitors Covid-19 impact and anticipates pressures in the next financial year. However, the medium and long-term plans do not take into account the impact to Covid-19. As a result, this recommendation remains relevant. | The medium-term financial plan will be updated to provide greater clarity and take account of Covid-19 impacts.<br><br>**Responsible Officer:** Chief Officer – Finance<br><br>**Target Date:** May 2023 | A revised and updated Medium-Term Financial Plan is currently being development which will incorporate new and emerging financial challenges, e.g. flat cash grant settlements, continuing high cost and inflationary pressures. (considered further on page 33).<br>***In Progress***<br><br>**Revised Target Date: September 2024** |

# 7.1 Audit Adjustments

## Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). No uncorrected misstatements have been noted.

# 7.2 Audit Adjustments

## Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

| | | Debit/(credit) CIES £m | Debit/(credit) in net assets £m | Debit/(credit) prior year reserves £m | Debit/(credit) Equity £m | If applicable, control deficiency identified |
|---|---|---|---|---|---|---|
| Peak & Forthbank valuation | [1] | 0.08 | 1.6 | | (1.68) | Page 18 |
| Prior year PPE valuation processing error – impact on 2022/23 | [2] | (2.4) | 24.3 | | (21.9) | Page 18 |
| Prior year PPE valuation processing error – impact on 2021/22 | [3] | (11.7) | 39.8 | (28.1) | | Page 18 |
| **Total** | | | | | | |

[1] The date of revaluation on the Peak and Forthbank properties did not match the valuation report, and as such the depreciation was recorded incorrectly for the year 2022/23. The credit entry to reserves relates to the unusable revaluation reserve, and has no impact on usable reserves.

[2] & [3] In 2021/22 the cost and depreciation figures for the revalued items of PPE were recorded incorrectly, due to the accumulated depreciation entry not being recorded appropriately. Management have restated the prior year accounts to reflect the correct entries, and this has also impacted the 2022/23 balances.

# 7.3 Audit Adjustments

## Disclosures

**Disclosure misstatements**

No disclosure misstatements have been noted.

# 8.1 Our Other Responsibilities Explained

## Fraud responsibilities and representations

**Responsibilities:**

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements, as a whole, are free from material misstatement, whether caused by fraud or error.

**Required representations:**

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.

**Audit work performed:**

In our planning we identified the risk of fraud in capital expenditure recognition and management override of controls as a key audit risk.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the audit committee on the process for identifying, evaluating and managing the system of internal financial control.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

**Concerns:**

No issues or concerns have been identified in relation to fraud.

# 9.1 Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

| | |
|---|---|
| Independence confirmation | We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and our objectivity is not compromised. |
| Fees | The expected fee for 2022/23, as communicated by Audit Scotland in December 2022 is analysed below:<br><br>£<br>Auditor remuneration 228,370<br>Audit Scotland fixed charges:<br>• Contribution to PABV costs 57,320<br>• Audit support costs 8,660<br>• Sectoral cap adjustment (5,210)<br>**Total expected fee** **289,140**<br><br>In addition to the above, the audit fee for the two charitable trusts audit is £8,000.<br><br>Due to additional work being required by Deloitte we will be seeking additional fees. This is currently under negotiation. |
| Non-audit services | In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary. |
| Relationships | We have no other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties. |

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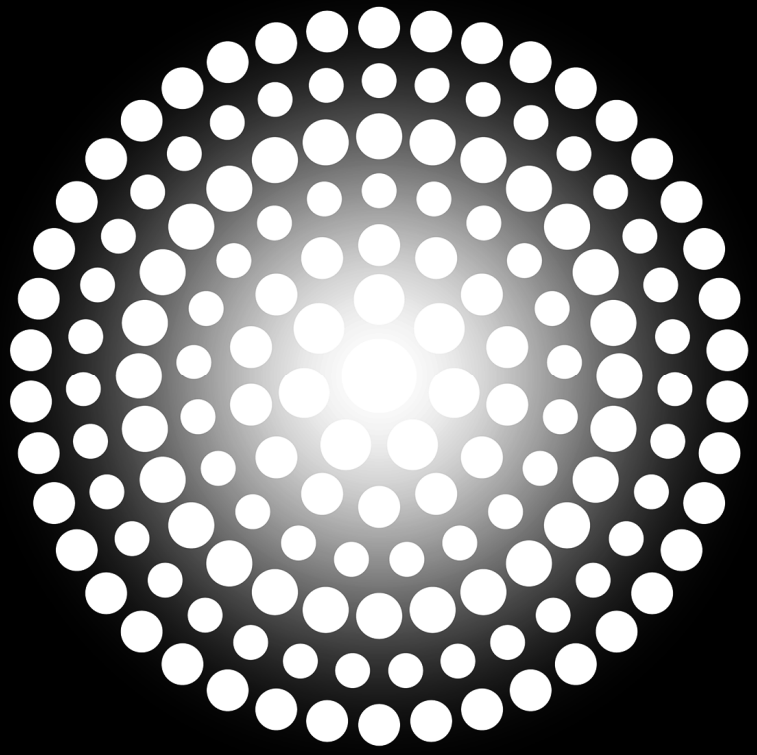
APPENDIX 4



# Stirling Council – Best Value thematic work 2022/23

**Management Report – Leadership of the development of new local strategic priorities**

**Issued on 14 August for the meeting on the 29 August 2024**

# Contents

**01 Management Report**


| | |
|---|---|
| Key messages | 3 |
| Scope of the audit | 4 |
| Council vision and priorities | 6 |
| Citizen and community engagement | 8 |
| Reducing inequalities and tackling climate change | 10 |
| Alignment of delivery plans | 13 |
| Leadership | 17 |
| Appendix 1 | 22 |

# Key messages

1. The Council has a clear vision supported by revised priorities which were agreed in December 2022. An Outcome Based Accountability framework has been agreed, with a series of KPIs recently approved with aligned to the new priorities.
2. The Council has engaged with citizens and communities when developing the priorities but has recognised that increased engagement required given the financial challenges.
3. The Council's priorities have a focus on the need to reduce inequalities and its climate change commitments. A revised approach to its equality impact assessment process has recently been implemented to include socio-economic considerations following an update to the Fairer Scotland Duty in 2022.
4. Comprehensive service plans are still to be developed to align to the Council's priorities following the approval of the 3-year business plan in May 2024. A Capital Strategy has recently been approved, with a Medium-Term Financial Plan is currently being developed and updated Workforce Strategy planned for later in 2024.
5. The leadership (both political and officer) has been effective in setting clear priorities but now needs to demonstrate sustainable plans for delivering them.
6. The council's improvement actions from this review are included at Appendix 1 of this report. It sets out the council's response to audit recommendations made.

# 1.1 Scope of the audit

When discussing the Local government in Scotland Overview 2022, William Moyes, Chair of the Accounts Commission said: "Councils are operating in a complex and increasingly volatile, unprecedented and unpredictable environment. Strong leadership from councils is needed now more than ever, with new and returning councillors being able and willing to make difficult decisions about where and how to spend highly pressurised resources."

This report concludes on the effectiveness of the council's leadership of the development of the council's strategic priorities, following the recent local government elections.

The Accounts Commission's Strategy (2021-26) sets out its priorities to focus on inequalities, funding, communities and recovery. The Code of Audit practice sets out the Best Value work required to report on these priorities.

**Code of Audit Practice 2020 Best Value reporting requirements**

**Best Value reporting – extract from the Code**

The Accounts Commission's approach to Best Value involves reporting on individual local government bodies and thematically across the local government sector through performance reports:

- As part of their integrated wider-scope annual audit work appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value and is complying with its community planning duties, including reporting progress against previous Best Value findings and recommendations.
- The Accounts Commission also requires the Controller of Audit to report to the Accounts Commission on each council or Integration Joint Board (IJB) at least once over the five-year audit appointment on the body's performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate. [1]
- The Accounts Commission reports nationally on thematic aspects of local government bodies' approaches to, and performance in, meeting their Best Value and community planning duties. Local government appointed auditors report locally on any such Best Value thematic work prescribed by the Accounts Commission.

[1] The Controller of Audit will report the first tranche of council BV reports to the Commission between October 2023 and September 2024 on Moray, Falkirk, Dundee City, Orkney Islands, South Ayrshire, Dumfries and Galloway, Clackmannanshire and West Dunbartonshire.

# 1.2 Scope of the audit (continued)

This report covers the thematic aspect of the Best Value audit requirements. The Commission has directed auditors to report on the effectiveness of the leadership of the development of the council's strategic priorities.

Focus on equality and fairness
Covid-19 recovery planning
Digital Transformation planning
Leadership of new local strategic priorities
Community engagement in recovery planning and priority
Focus on Climate change
Alignment of financial planning
Alignment of workforce planning

In carrying out the work auditors have considered the following questions:

- How clear is the new council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the council?
- How effectively do the council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the council's priorities?
- Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

An improvement action plan is included at Appendix 1 of this report. This sets out audit recommendations in key areas, and the council's planned response including responsible officers and dates for implementation.

# 2.1 Council vision and priorities

## The Council has a clear vision supported by revised priorities, and recently approved KPIs.

A council focused on achieving Best Value in how it operates will be able to demonstrate that elected members and officers have a clear vision and priorities for their area.

The Local government in Scotland Overview 2022 says that Scotland's councils have had a pivotal role in supporting and working with communities as they respond to the impacts of Covid-19. Following the council elections in May 2021, council's will have reviewed their priorities.

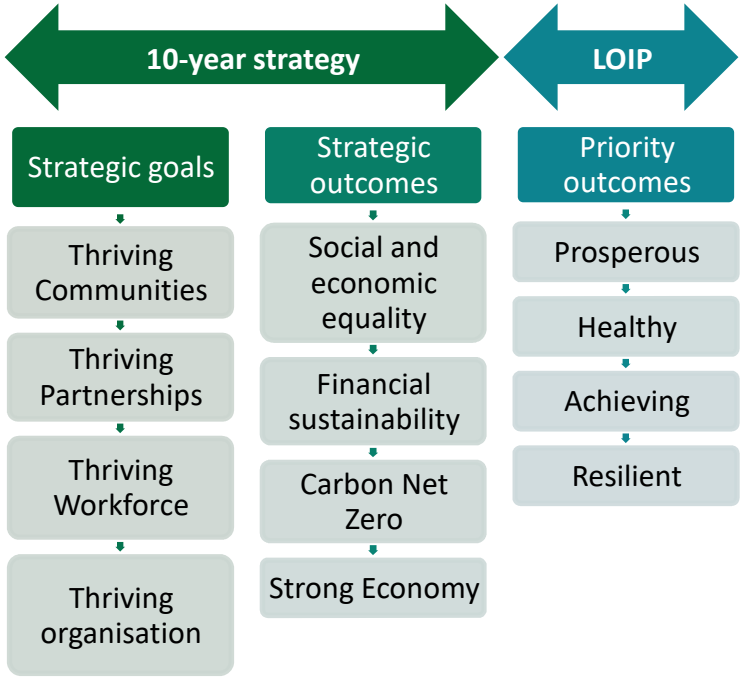
### Vision and strategy

Stirling Council's ten-year strategy "***Thriving Stirling***" covers the period 2020-2030 and sets out a clear vision that Stirling should be "a place where everyone can thrive". The strategy sets out 4 strategic goals, along with 4 strategic outcomes, as illustrated opposite.

The Stirling Plan, which is Stirling's Local Outcome Improvement Plan (LOIP), was developed in collaboration with community planning partners and covers the period 2017-2027. This has a consistent vision with the Council as "somewhere everyone can thrive", with priority outcomes consistent with the Council's strategy. There is therefore a clear vision across the Community Planning Partnership.

Following the local government elections in May 2022, the Council revisited its priorities and agreed its 10 Strategic Priorities for the next 5 years, which were agreed in December 2022. These are designed to set out the overarching principles which will guide future decision-making.

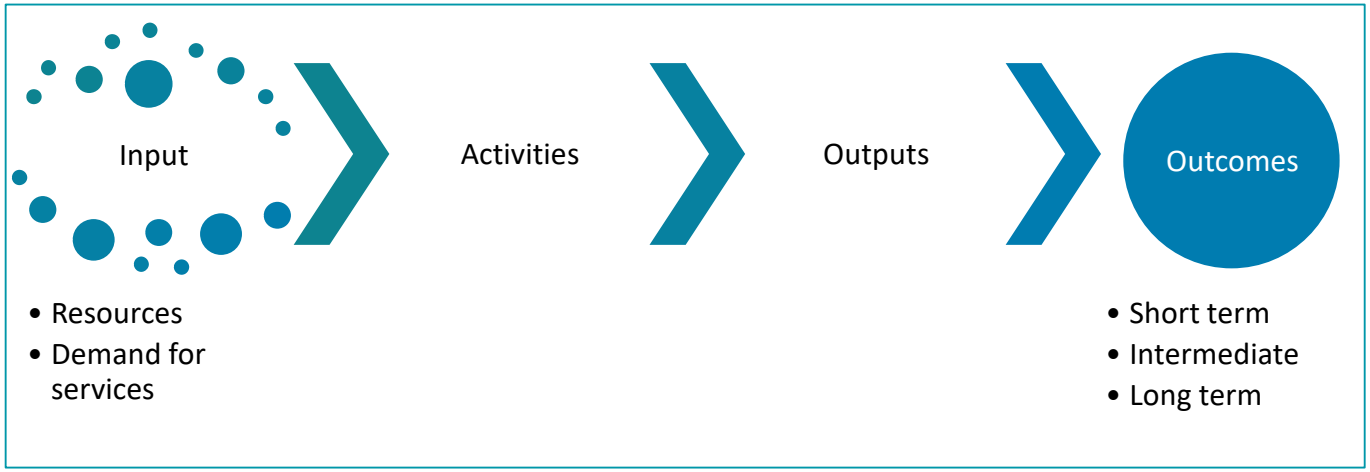
The priorities provide the foundation of the strategic planning, performance and improvement framework, to provide a starting point for a more outcome-focused approach for Stirling's residents, communities, businesses, partners and stakeholders.



# 2.2 Council vision and priorities (continued)

In November 2021, the Council agreed a new Planning, Performance and Improvement approach. This adopts Outcome Based Accountability (OBA) to provide a framework for planning and performance, working across organisational boundaries to focus on strategic outcomes. Given the changes in Council priorities following the local government elections in May 2022, full implementation was not planned till late 2022/23.

During 2022/23, the Council has progressed with implementing this approach. OBA is an evidence-based process that works backwards from the priority or outcome to identify the actions which are needed to achieve that outcome. This is visualised through the development of a logic model, or theory of change, as illustrated below. Work has continued during early 2023/24 to develop a range of KPIs for the Strategic Priorities which will underpin the OBA approach. These were presented to the Council in June 2023 and approved by each relevant Committee to reflect its specific remit for scrutiny of performance. In addition, at November 2023 it was highlighted work will be progressed to incorporate the OBA approach and KPIs into a new 3-Year Business Plan for approval by Council by the end of 2023 and service level plans. The 3-year business plan has subsequently been approved in May 2024.



# 3.1 Citizen and community engagement

## The Council has engaged with citizens and communities when developing the priorities, but has recognised that increased engagement required given the financial challenges

Recovery from the pandemic will require councils to work alongside their local communities. There must be a focus on getting the services people need in place as pressures and stresses escalate and impact the day to day lives of individuals and communities.

Councils, with their community planning partners, have a responsibility to ensure that people and communities are able to be fully involved in the decisions that affect their everyday lives.

Early and meaningful engagement and effective collaboration with communities to identify and understand local needs, and in decisions that affect the planning and delivery of services should be a core part of determining a council's vision and priorities.

**Community empowerment**

The 2019 BVAR report concluded that the Council needed to increase its progress with community empowerment, and as a priority, meet its requirements to put in place locality plans for its most disadvantaged areas. This has progressed, with all eight locality action plans now complete.

Community empowerment is also reflected within the Council's 10-year strategy and is one of the 10 strategic priorities agreed by members in December 2022:

"*building community capacity and empowering citizens through participation and partnerships*".

This sets out a number of strategic commitments including ensuring citizens can directly influence council actions and spending, promoting participation and consultation across digital and physical channels. The Council has committed to a partnership approach to improving and empowering communities.

The Council carried out a "Covid Recovery Community Consultation" over the five months from February to July 2022. The survey was completed by 528 people. The Council then used the four strongest emerging themes – being education, mental health, social isolation and cost of living – to frame conversation questions which were discussed with residents in a number of areas. The feedback from this engagement is to be used to inform planning and practice moving forward.

As noted in our Annual Audit Report, given the financial challenges faced by the Council, plans are in place to have early engagement with the public as part of the 2024/25 budget process.

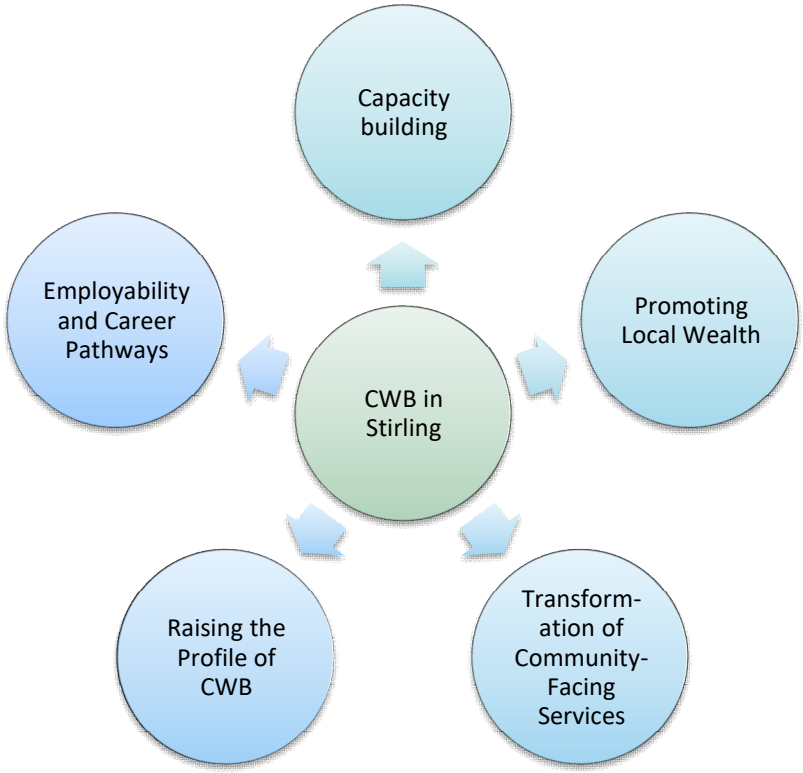
It is important that the Council uses the learning from the ways communities were involved in developing and delivering support during the pandemic and put more flexible governance and decision-making structures in place now to provide more opportunities for more local participation in decision-making.

# 3.2 Citizen and community engagement (continued)

**Community wealth building**

Thriving communities is one of the strategic goals of the Stirling Plan. In March 2023, the Council approved the delivery of a Community Wealth Building (CWB) Plan, which seeks to embed CWB principles across all Council services, as the basis of a new community development approach. The Council has recognised it needs to rethink its organisational culture, behaviours and practices to ensure greater democratic ownership, participation, and control from its communities in all that it does.

Actions are planned during 2023/24 to deliver the detailed CWB actions across the five emerging themes. The CWB Short-Life Working Group is also taking forward work to implement Locality Action Plans within a CWB approach, taking into account the impact of Covid-19.



# 4.1 Reducing inequalities and tackling climate change

## The Council's priorities have a focus on the need to reduce inequalities and its climate change commitments

Council priorities are expected to reflect the Best Value expectations that all activity should contribute to tackling poverty, reducing inequality and promoting fairness, respect and dignity for all citizens, alongside a focus on sustainable development, including climate change.

The Local government in Scotland Overview 2022 report says that the impact of the pandemic and service disruption have been felt most strongly by those already experiencing inequality. Councils have worked hard and adapted to maintain service delivery but those most in need of support are still being affected. Councils must evaluate these impacts so that recovery and renewal supports those most affected and addresses inequalities.

Around two-thirds of councils have formally declared a climate emergency, and COSLA's Blueprint for Local Government states that climate change is a 'greater threat than COVID'. The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

**Reducing inequalities**

One of the strategic outcomes in the Council's 10-year strategy is "*social and economic equality*", with key focus on:

- **Early intervention and prevention** – investing in breaking the cycle of poverty and deprivation at an early age;
- **Long-Term Planning** – planning for long-term, generational improvements in outcomes;
- **Partnership working** – collaboration with public, third and private sector partners; and
- **Inclusive growth** – growing our economy in a way that provides opportunities for fairer employment and income maximisation.

This is further supported with one of the Council's ten priorities agreed in December 2022 to focus on inequalities, as follows:

*"continuing investment in housing, learning and education to address health and wellbeing inequalities".*

This set out a number of strategic commitments included targeted investment to increase the supply of housing, providing more homes for a range of needs, undertaking improved estate management and invest to improve the condition of the Council's housing stock.

# 4.2 Reducing inequalities and tackling climate change (continued)

**Reducing inequalities (continued)**

In developing the Locality Action Plans for all eight areas in April 2020, local residents were consulted. Their feedback, together with data on inequality in each area was used to inform the action plan at a local level but also identify opportunities to design actions to address similar themes across a number of communities.

The Council approved is Covid-19 recovery plan in June 2021, which set out 14 priority areas for recovery in the short, medium and longer term, with 58 specific recovery and renewal actions. The recovery plan has subsequently been incorporated into the Council's transformation programme of Vital Few projects. One of the 14 priorities is to "*harness the power of our communities to tackle inequality and social exclusion*".

**Equality impact assessments**

The Council uses Equality and Socio-economic Impact Assessments (EqSIA). Following an update to the Fairer Scotland Duty in 2022, the Council revised its equality impact assessment process to include socio-economic considerations. Training has been provided to officers and members on the revised approach.

The Council continues to use a two-stage process comprising:

1. **EqSIA screening:** to determine whether the proposal concerned requires an impact assessment.
2. **EqSIA assessment:** where significant potential impact has been identified via screening, the impact of the proposal should be assessed as an integral part of its development.

Screening decisions on whether or not an EqSIA is required, and a summary of the findings of an EqSIA if one was conducted, are included in the report to the Committee or Council responsible for approving the proposal.

In relation to the need implement human rights-based approaches in its design and delivery of services, the Council, in partnership with the CPP for children and young people, has a clear agreement to continue to strengthen a children's right based approach.

**Sustainability of the environment**

One of the strategic outcomes in the Council's 10-year strategy is "*carbon net zero*". Stirling Council declared a Climate and Ecological emergency in October 2019, reaffirming the local authority's commitment to tackling climate change and protecting the environment.

This is further supported with one of the Council's ten priorities agreed in December 2022 to focus on the climate and nature emergency, as follows:

*"tackling the climate and nature emergency and pursuing our net zero ambition through action".*

The Council recognises that it is critical that carbon reduction is considered in the context of Social and Economic Equality – changes in its economy and its emissions will improve people's lives in Stirling through creating jobs and reducing employment deprivation. The Council's net zero approach is intended to ensure creation of "green" jobs for Stirling residents and upskilling of local workers as well as making lives better and healthier.

# 4.3 Reducing inequalities and tackling climate change (continued)

**Sustainability of the environment (continued)**

The council also highlights that providing the infrastructure, support and incentives required to help residents to make climate friendly choices while working with nature is expected to support prosperity and social wellbeing to deliver wider environmental benefits.

A Climate and Nature Emergency Plan was approved by the Council in June 2021. This set out a clear vision, to be delivered through 5 objectives and each objective implemented in three ways – Lead, Enable and Inspire.

We have considered the Council's arrangements for responding to climate change further as part of our Annual Audit Report.

# 5.1 Alignment of delivery plans

## Comprehensive service plans have still to be developed to align to the Council's priorities

Making the best use of public resources is at the heart of delivering Best Value. With clear plans and strategies in place, and with sound governance and strong leadership, a council will be well placed to ensure that all of its resources are deployed to achieve its strategic priorities, meet the needs of its communities and deliver continuous improvement.

**Service plans**

As noted on page 7, work will be progressed to incorporate the OBA approach and KPIs into a new 3-Year Business Plan for approval by Council by the end of 2023. The 3-year business plan has subsequently been approved in May 2024. Service Plans have therefore not yet been updated to reflect the revised Council priorities. The Council expect plans to be in place for 2024/25 for around 50 service areas.

The Council is at the early stages of its next phase of transformation, with high level themes agreed. One of the themes is to consider operational front line service re-design. As discussed in more detail within our Annual Audit Report, more detail is required to develop the individual projects that will support the transformation programme, including clear timelines, resources and support required and benefit realisation trackers.

**Financial resources**

The 2023/24 budget was approved on 2 March 2023, and has been considered in more detail in the Annual Audit Report. The paper presented to members and the savings options approved do not clearly align the budget to the new priorities.

Officers are currently working on a Medium-Term Financial Plan, which is due to be considered by members in November 2023. It is important that this clearly demonstrates how financial resources will be aligned to the new priorities.

**Community engagement**

The Council carried out a "Budget Conversation" survey during November and December 2022 to gain the opinion of people who work, study and reside in the Stirling Council area, as well as representatives from community groups and organisations. The survey received 619 responses, with the results published in February 2023. It is, however, not clear to what extent the results of the survey impacted the proposed budget approved in March 2023. While the consultation is a positive step, it is important that the Council demonstrates how that consultation has been used to inform its decision-making. The Council has recognised that given the unprecedented challenges facing the Council, engagement with the public needs to be much earlier in the process and has changed its approach for 2024/25.

# 5.2 Alignment of delivery plans (continued)

**Community engagement (continued)**

The "budget overview" page on the Council's website is also outdated, and still referring to the 2021/22 budget process agreed in March 2021. In August 2023, the Council also published its launch of "Big Conversation" amid the £13m budget shortfall, which replaces the budget overview page, however, the old information has still to be removed.

Through the "Big Conversation" the views and priorities of residents will shape how the Council responds to this unprecedented financial challenge and the final decisions made in the budget setting process.

**Workforce planning**

The Council has a Strategic Workforce Plan in place, which covers the period 2021-2026. This is aligned to the Council Plan "Thriving Stirling" and sets out what the future workforce needs to be to deliver on the Council's strategic objectives.

In planning for the future, the Plan sets out an analysis of the current workforce, including age profile, turnover, recruitment and how it rewards it staff. The Council has identified specific areas where vacancies are harder to fill including:

- Grade 1 positions in rural areas;
- Skills traders and engineers;
- Accountants and procurement specialists;
- Head teachers and some teaching posts; and
- Social workers and carers.

Recruitment and retention strategies such as job re-design are being developed to address these difficulties. In addition, the Council is committed to "growing our own" providing clear career pathways for employees and creating succession plans for key roles.

The Plan incorporated a detailed Action Plan of specific actions required. Progress against key aspects has been delayed as a result of the ERP implementation.

The Council recognises that to achieve its vision and priorities, it is vital that its workforce is more diverse, flexible, skilled, engaged and motivated than ever before.

In recognition of the increasing budget pressures, an update on the Strategy is planned for December 2023. We will monitor the progress with this during our audit appointment.

**Asset management**

As part of the Council's Transformation Programme, one of the workstreams is looking at Workforce Accommodation, with a Corporate Accommodation Strategy approved in December 2022 and a Strategic Outline Business Case for the Corporate Accommodation Plan approved in May 2023. A more detailed Outline Business Case was considered by the Council in October 2023 and was agreed that the Council would revert and look at alternative options of renovating and developing its existing estate given the financial challenges that the Council is facing. A revised strategy was agreed by Council in February 2024, and work to assess this has commenced, and progress will be reported to Council in autumn 2024.

# 5.3 Alignment of delivery plans (continued)

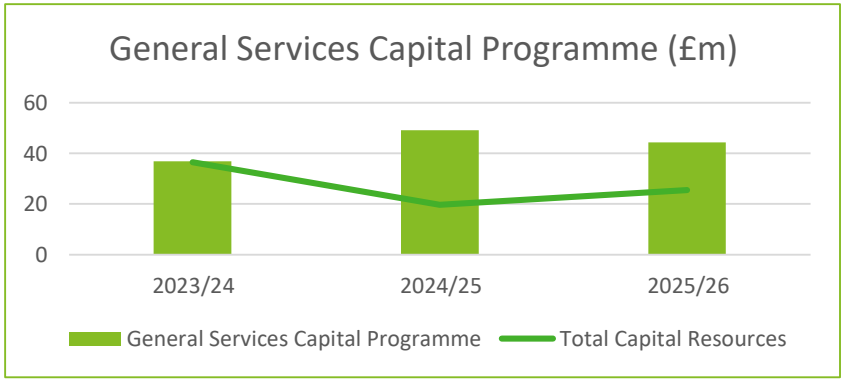
**Asset management (continued)**

The HRA Capital Investment Programme was developed from the commitments set out in the 30 year business plan agreed by the Environment and Housing Committee on 20 November 2014. In approving the 2023/24 investment budget, members are not provided with information on future year plans and how this compares to that initially approved in 2014. It is inevitable that things will have changes since approval of the 30 year plan. We therefore recommend that the members are provided with an update, including any re-profiling of projects, as part of approving the annual budget so they can see how this fits in with the overall strategy of the Council.

The general services capital programme for 2023/24 was approved at the same time as the revenue budget in March 2023, along with provisional estimates for 2024/25 and 2025/26. At the same time, Treasury Management Strategy for 2023/24 was approved.

The approved capital programme for 2023/24 of £36.884m is £500,000 in excess of the resources available, i.e. is projecting a deficit position. The Council has taken the view that given the size and complexity of the programme, a 1.4% level of over-programming is a low risk.

The provisional approved programme for the next two years is illustrated opposite. This shows that at present, the provisional programme is significantly in excess of the funding available. and is therefore unaffordable. It is important that the Council review its plans and prioritise the projects in line with the Council's overall priorities and the funding available.




A Capital Strategy has recently been developed, and was approved by the Finance, Economy and Corporate Support Committee in September 2023. This is the Council's first iteration of a whole organisation approach to its Capital Strategy which is designed to steer the Council's capital planning and delivery, in addition to wider business and service planning. The Strategy covers a 5-year rolling period and will be refreshed as required to respond to the Council's ever changing strategic landscape.

The objectives of the Capital Strategy are:

1. Aligning investment to the Council's priorities to achieve maximum value for money.
2. Facilitating long-term capital and service planning.
3. Creating capacity for continuous improvement of services.
4. Informing investment based on robust evidence of needs.
5. Improving effectiveness of capital planning management, delivery, governance and scrutiny.

# 5.4 Alignment of delivery plans (continued)

**Asset management (continued)**

The development of this Strategy, as recommended following a review by Internal Audit published in August 2022, is a positive step and is an essential element in the Council's long-term planning to ensure financial sustainability and the best use of resources.

The Strategy sets out the following future developments planned to further improve the effectiveness of the Council's future capital strategic planning and delivery.

- Development of a detailed five-year capital investment plan.
- Development of a capital investment prioritisation process.
- Further development of 'evidence of need'.
- Outcome based accountability (which we have considered further on page 7).

We will continue to monitor the progress with this during our audit appointment.

**Digital strategy**

As noted earlier in the report, the Council is at the early stages of its next phase of transformation, with high level themes agreed. Two of the eight themes are focussing on digital – being Digital First and Digital Service Centre.

As discussed in more detail within our Annual Report and Accounts, more detail is required to develop the individual projects that will support the transformation programme, including clear timelines, resources and support required and benefit realisation trackers. This is essential to allow the Council to be able to demonstrate how its digital infrastructure will support delivery of services in line with its priorities.

# 6.1 Leadership

## The leadership has been effective in setting clear priorities but now needs to demonstrate sustainable plans for delivering them

Effective leadership from councillors, chief executives and senior officers, is key to councils achieving their objectives and providing clear strategic direction. The complex local government environment means collaborative leadership, working with partners, communities and citizens to improve outcomes is more important than ever.

Leaders need to be skilled in effective strategic thinking, decision-making and collaborative working and able to learn lessons from new ways of working. Councillors and officers must be clear on their roles in setting the vision and planning for its delivery.

Leaders should demonstrate behaviours and working relationships that foster a culture of cooperation, and a commitment to continuous improvement and innovation. Good conduct and behaviours when working together are crucial. Working relationships between members and between members and officers should be constructive and productive. Councillors should show a commitment to agreed council priorities and work together to achieve them.

**Collaboration and decision-making**

There is evidence that councillors and officers are working together to achieve the Council's priorities. This includes the recently created budget delivery group and the Member Officer Group taking forward the work on climate change.

There is currently little evidence that members have taken decisions that contribute to the achievement of the agreed priorities, in particular when allocating resources. As discussed in more detail in our Annual Audit Report, in setting its budget for 2023/24, it is not clear how the decisions made around savings aligned to the Council's priorities. The Council need to clearly demonstrate how its decisions are aligned to its agreed priorities.

In general, members and officers demonstrate mutual respect, trust, honesty and openness and appropriate behaviour.

A weakness has, however, been highlighted through a referral to the Ethical Standards Commission during the year. Following an investigation into a complaint received in May 2021 about the conduct of one of the elected members, the Ethical Standards Commission referred a report to the Standards Commission for Scotland in March 2023. The complaint concerned a contravention of the Councillor Code of Conduct. The findings of the hearing by the Standards Commission for Scotland were presented to the Council in September 2023 where it was concluded that the elected member should be suspended for a period of 5 months.

While this relates to one elected member, the Council should ensure that members have a clear understanding of their role and the requirements of the Code of Conduct.

# 6.2 Leadership (continued)

**Self-evaluation**

As reported in the BVAR report in 2019, the Accounts Commission recommended that the Council needs to introduce a structured approach to self-evaluation to deliver continuous improvement. In particular, the performance management framework needs to be refined to identify and prioritise areas for improvement in line with the council's priorities.

In April 2022, the Operational Governance Board agreed a process and an indicative programme for a phased roll-out of Public Service Improvement Framework (PSIF) self-assessments. The Council is working with the Improvement Service, which has offered resources for initial self-assessment exercises across selected Council services.

For 2022/23, the following self-assessments were confirmed:

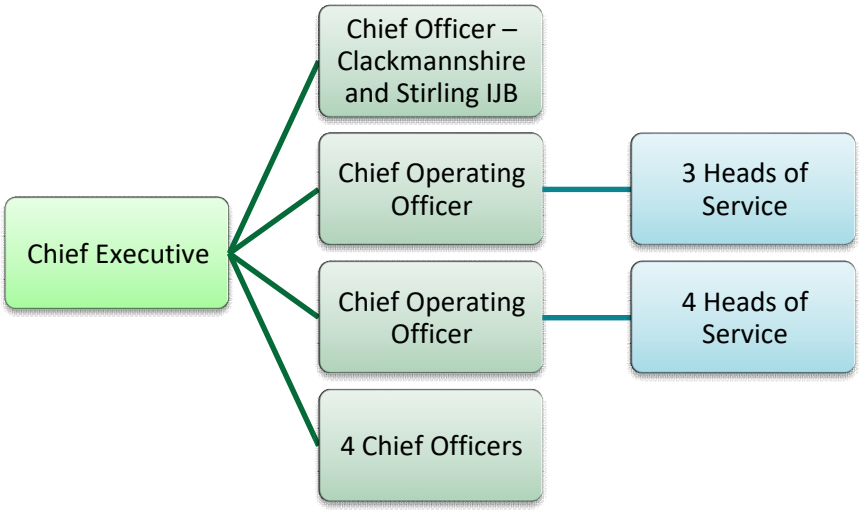
- Planning and building control;
- Human Resources and Payroll;
- Infrastructure Delivery; and
- Senior Phase and Youth Participation.

In May 2024 the Council's Operational Governance Board agreed to commence a 3-year schedule of service reviews meaning that all council services will be reviewed using the PSIF checklist every 3-years.

**Leadership capacity**

The Senior Management Team structure is illustrated below. There were a number of changes in the year, with new appointments as follows:

- Chief Executive (Appointed July 2024)
- Chief Officer Finance (interim)
- Chief Officer – Clackmannshire and Stirling IJB (interim)
- Chief Social Work officer (interim)
- Additional 3 changes in Heads of Service and one vacant post




The Council is at the early stages of its next phase of transformation, with high level themes agreed. In view of the significant financial challenges faced by the Council, there is a recognition that significant change is required. Strong leadership is essential to deliver these ambitious plans. The Council needs to assess whether there is sufficient capacity in the current SMT to deliver on these plan.

# 6.3 Leadership (continued)

**Leadership capacity (continued)**

A leadership programme is in place and now into its fifth year, with 120 participants having gone through the programme to date. 2023 is the first year as a joint programme bringing together leaders and managers in the Council with leaders in the communities. The programme takes 6-9 months to complete, with a flexible approach to enable it to work around commitments.

The 2019 BVAR recommended that Councillors should increase attendance at training courses and agree actions to improve attendance rates. Personal development plans for councils should also be considered.

Following the local government elections in May 2022, all elected members received a series of induction and training. This included a comprehensive “Essential Programme” covering the first two weeks following the election. An Induction Handbook was also updated and provided to all members to help them in their role.

Further training has been provided throughout the year on different topics including financial challenges/budget overview and net zero/carbon literacy.

A record is maintained of member attendance at these sessions. While not mandatory, and also recognising that all sessions are not relevant to all members, the attendance rate varies. The average number of sessions attended by each Councillor during 2022/23 was 22, with the maximum being 39 and minimum 3. The Council should closely monitor those elected members who have relatively low attendance to ensure that they are suitable trained to carry out their role.

A skills analysis and self-evaluation process has not been completed and personal development plans are not in place. This is an area that we would recommend the Council consider as having personal development plans in place is considered best practice in ensuring that elected members have the skills and tools to carry out their role.

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Audit Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Accounts.
- Our internal control observations.
- Other insights we have identified from our audit.

### The scope of our work

Our observations are developed in the context of our audit of the Annual Accounts.

We described the scope of our work in our audit plan.

### Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

### What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

**Deloitte LLP**

Glasgow | 14 August 2024

# Appendices

# Appendix 1 – Improvement Action Plan



| Issue/risk | Recommendation | Agreed management action/timing |
|---|---|---|
| **1. Service plans**<br>Updated service plans are not in place reflecting the revised Council priorities.<br><br>Risk – Without clear plans, the Council is unable to demonstrate how its priorities will be achieved. | Comprehensive service plans should be developed to align to the Council's revised priorities. | Service level plans will be implemented in 2024/25, linking strategic priorities and 3-year business plan actions to local delivery.<br><br>Responsible officer: Head of Customer Service & Performance<br><br>Target date: December 2024 |
| **2. Community engagement**<br>It is not clear to what extent the results of the community survey impacted the proposed budget approved in 2023.<br><br>Risk – the Council is unable to demonstrate how its decisions have been influenced by the community. | Any reporting on proposals for service change or budget proposals that have been the subject of consultation should clearly set out the results of that consultation and what impact that has had on the proposals put forward. | An updated approach to community engagement was implemented to inform the 2024/24 budget. Action completed in February 2024.<br><br>Responsible officer: Chief Officer - Finance |
| **3. Published budget information**<br>The "budget overview" page on the Council's website is outdated, and still referring to the 2021/22 budget process agreed in March 2021.<br><br>Risk – members of the public are unable to access the latest information. | The Council should ensure that the website is regularly updated to allow members of the public to have a clear picture of the latest position. | Up-to-date budget information has been readily available to the public via the councils website. Historic information will be reviewed and removed.<br><br>Responsible officer: Chief Officer - Finance<br><br>Target date: September 2024 |

# Appendix 1 – Improvement Action Plan (continued)

| Issue/risk | Recommendation | Agreed management action/timing |
|---|---|---|
| **4. HRA Investment Programme**<br>In approving the 2023/24 investment budget, members were not provided with information on future year plans and how this compares to that initially approved in 2014 as part of the 30 year business plan.<br><br>Risk – Plans and priorities may have changed since the business plan was approved. | Members should be provided with an update, including any re-profiling of projects, as part of approving the annual budget so they can see how this fits in with the overall strategy of the Council. | A new 30 Year HRA Business Plan will be submitted to Community Wellbeing and Housing Committee which provides detail on the long term investment plans for the Council's housing stock.<br><br>Responsible officer: Head of Housing<br><br>Target date: March 2025 |
| **5. Elected members**<br>Skills analysis and self-evaluation process has not been completed and personal development plans are not in place.<br><br>Risk – elected members do not have the skills and knowledge to perform their role effectively. | A skills analysis and self-evaluation process should be carried out to assess the skills for each elected member. Elected members should then consider Personal development plans tailored to individual member needs. | Officers will devise the process and issue to all Elected Members for their completion and return.<br><br>Responsible officer: Chief Officer - Governance<br><br>Target date: March 2025 for completion of the skills analysis and self-evaluation process |

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**Stirling Council**

Agenda Item No. 15

Audit Committee

Date of Meeting: 29 August 2024

Not Exempt

# Stirling Council Draft Accounts 2023/24

## Purpose

The purpose of this report is to ask Audit Committee to consider the draft Stirling Council accounts prior to their submission to the external auditor. In terms of the Council's Scheme of Delegation, the Audit Committee has responsibility for considering the draft Annual Statement of Accounts, in line with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

The report outlines the key features of the financial position displayed in the 2023/24 draft accounts, incorporating a brief overview of the General Fund and Housing Revenue Account (HRA) revenue outturn positions as at 31 March 2024.

## Recommendations

Audit Committee is asked to:

1. consider the General Fund and HRA revenue outturn positions as at 31 March 2024;
2. consider the position in terms of the Council's share of the net pension asset of the Local Government Pension Scheme; and
3. consider the Stirling Council draft accounts prior to their submission to the external auditor.

## Resource Implications

The proposed fee for the 2023/24 audit of Stirling Council is £306,480. The proposed fee for the 2023/24 audit of the Charitable Trust accounts has yet to be agreed with the external auditor.

## Legal & Risk Implications

Section 8 of the Local Authority Accounts (Scotland) Regulations 2014 requires the Council to prepare its Annual Accounts in accordance with the Regulations and with proper accounting practice. Failure to prepare Annual Accounts on this basis could lead to criticism from the appointed external auditor and a qualified external audit opinion.

In terms of the Council's Scheme of Delegation, the Audit Committee has responsibility for considering the draft Annual Statement of Accounts.

# 1. Background

1.1. The draft Stirling Council Accounts for the year to 31 March 2024 have been prepared for audit. In accordance with the Local Authority Accounts (Scotland) Regulations 2014, the Council or a Committee of the Council charged with audit or governance must meet to consider the unaudited Annual Accounts as submitted to the auditor.

1.2. Electronic copies of the accounts will be emailed to all Members in due course. They will also be placed on the public website.

1.3. This report outlines the key features of the financial position displayed in the 2023/24 draft accounts, incorporating a brief overview of the General Fund and HRA revenue outturn positions as at 31 March 2024.

1.4. The draft accounts show the Council ending the year with uncommitted General Fund balances of £7.292m (2.8% of the 2023/24 budget). Although the reported outturn is expected to represent the final position for 2023/24, the figures remain subject to audit.

# 2. Considerations

2.1 The key features of the financial position displayed in the draft Accounts are set out below.

**General Fund**

2.2 Services are reporting an underspend of £1.450m, which is the position prior to the inclusion of the Stirling element of the Health & Social Care Partnership (HSCP) outturn, which is showing an overspend of £1.349m. However, the HSCP Chief Finance Officer has confirmed that the overspend on the integrated budget will be met from IJB reserves in 2023/24. This results in a breakeven position for the Stirling Council element of HSCP.

2.3 Corporate areas of the budget are reporting a net underspend of £160k. A number of corporate budgets are reporting adverse variances totalling £1.952m, which are being more than offset by favourable variances from loan charges, Non-Domestic Rates empty property relief, and the £1m uncommitted reserves top-up from service concession monies as agreed by Council in March 2023.

2.4 Uncommitted General Fund reserves (including HSCP outturns) are £7.292m, being 2.8% of General Fund budget and therefore above established target levels.

2.5 The reported reserves position is prior to taking account of the decision at the Council budget meeting on 29 February 2024, which agreed to allocate the sum of £700k from uncommitted reserves in 2024/25 to support the 2024/25 budget. This allocation from reserves will bring the reported level of uncommitted reserves down to £6.592m, being 2.5% of General Fund budget, and therefore in line with the upper target level.

**Housing Revenue Account (HRA)**

2.6 Stirling Council owns 6,009 houses for which it charges rent. All expenditure associated with these houses must be funded from the rental income generated. Any surplus or deficit at the end of the year is transferred into or out of the HRA balances. For 2023/24, HRA is reporting a balanced budget position resulting in HRA balances of £986k.

**Pension Costs**

2.7 Under International Accounting Standard 19 (IAS19), Stirling Council is required to disclose information regarding the pension fund assets and liabilities of the Local Government Pension Scheme. Hymans Robertson, an independent firm of actuaries, has calculated a net asset position on the Scheme as at 31 March 2024, with Stirling Council's share being £45.2m. This represents an improvement of £34.8m when compared with the net asset position of £10.4m as at 31 March 2023.

2.8 The improvement is principally due to an improvement in the valuation of pension fund assets.

2.9 Employer's contributions to the pension fund during 2023/24 were charged at 23% of total pensionable employee pay in line with actuarial advice. Following the recent formal fund valuation undertaken at 31 March 2023, the Pension Fund Actuary has confirmed that Stirling Council employer's contributions for the period 2024/25 to 2026/27 will reduce to 19.5%, rising to 20% in 2027/28.

## 3. Implications

**Equality and Socio-Economic Impact**

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required as the report is a technical report presenting the 2023/24 Stirling Council Accounts and does not have any implications on current policies or service delivery.

**Climate Change, Sustainability and Environmental Impact**

3.2 There is no impact on the Council's duty relating to climate change, nor is there any direct sustainability or environmental impact as a result of this report.

**Other Policy Implications**

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

**External Consultations**

3.4 None.

## 4. Background Papers

4.1 EqSIA Screening.

## 5. Appendices

5.1 Appendix 1 - Stirling Council Draft Abstract of Accounts 2023/24.

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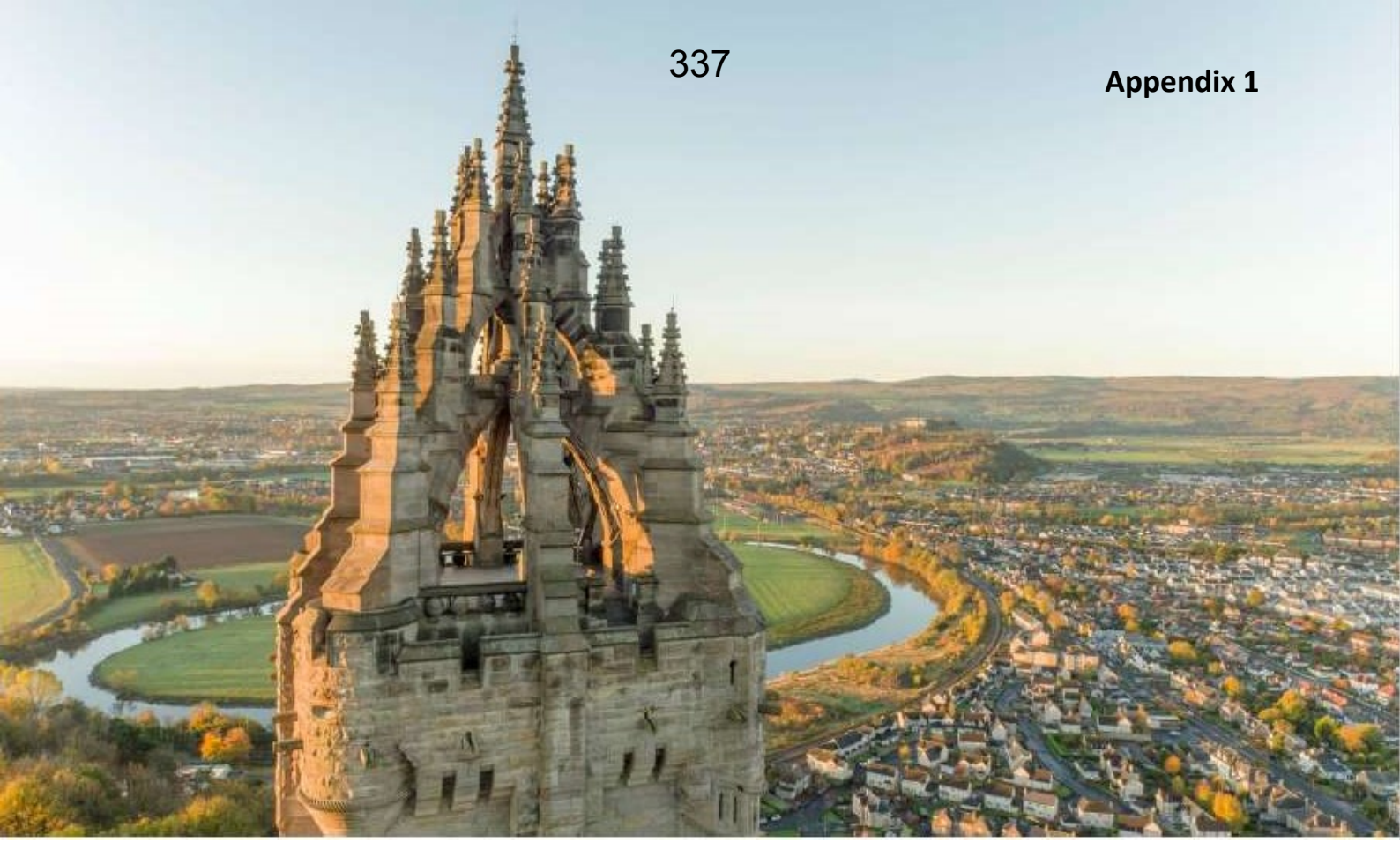
Approved by

| Name | Designation | Date |
|---|---|---|
| Caroline Sinclair | Chief Executive | 19 August 2024 |

| | |
|---|---|
| Details of Convener(s) and Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | Not applicable |
| Key Priorities: | 4. Developing a competitive and thriving sustainable local economy across Stirling. |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | Prosperous - People are part of a prosperous economy that promotes inclusive growth opportunities across our communities |

**Appendix 1**



# STIRLING COUNCIL
# ANNUAL ACCOUNTS
# 2023/24

## Subject to Audit

# Annual Accounts - Contents


| | | Page |
|---|---|---|
| **Independent Auditor's Report** | | 3 |
| **Management Commentary** | | 5 |
| **Explanatory & Assurance Statements** | | |
| Statement of Responsibilities | | 26 |
| Annual Governance Statement | | 27 |
| Remuneration Report | | 36 |
| **Principal Financial Statements of the Single Entity** | | |
| Comprehensive Income and Expenditure Statement | | 42 |
| Movement in Reserves Statement | | 43 |
| Balance Sheet | | 44 |
| Cash Flow Statement | | 45 |
| **Notes to the Single Entity Financial Statements** | | |
| **Expenditure and Funding Analysis** | | |
| Note 1 | Expenditure and Funding Analysis | 46 |
| Note 2 | Expenditure and Income Analysis By Nature | 48 |
| Note 3 | Reconciliation of Comprehensive Income & Expenditure Statement Surplus/Deficit on Provision of Services to Revenue Budget Surplus/Deficit | 49 |
| **General Accounting Policies & Assumptions** | | |
| Note 4 | General Accounting Policies (where no accompanying note) | 49 |
| Note 5 | Accounting Standards Not Yet Adopted | 51 |
| Note 6 | Critical Judgements Applied | 51 |
| Note 7 | Future Assumptions & Estimation Uncertainties | 52 |
| Note 8 | Contingent Liabilities | 53 |
| Note 9 | Events After The Reporting Period | 53 |
| **Comprehensive Income and Expenditure Statement** | | |
| Note 10 | External Audit Costs | 53 |
| Note 11 | Grants and Taxation Income | 53 |
| **Statement of Movements in Reserves** | | |
| Note 12 | General Fund Reserves | 54 |
| Note 13 | Adjustments Between Accounting Basis and Funding Basis Under Regulations | 55 |
| **Balance Sheet** | | |
| Note 14 | Intangible Assets | 57 |
| Note 15 | Property, Plant & Equipment | 57 |
| Note 16 | Heritage Assets | 61 |
| Note 17 | Investment Property | 62 |
| Note 18 | Impairments/Downward Revaluations | 62 |
| Note 19 | Capital Expenditure and Capital Financing | 62 |
| Note 20 | Long Term Debtors | 63 |
| Note 21 | Short Term Debtors | 63 |
| Note 22 | Cash & Cash Equivalents | 64 |
| Note 23 | Short Term Creditors | 64 |
| Note 24 | PFI and PPP Contracts | 64 |
| Note 25 | Pension Costs | 67 |
| Note 26 | Unusable Reserves | 70 |
| Note 27 | Leases | 72 |
| Note 28 | Financial Instruments (FI) | 73 |
| Note 29 | Nature and Extent of Risks Arising From Financial Instruments | 75 |
| Note 30 | Related Parties | 77 |
| **Supplementary Financial Statements** | | |
| Housing Revenue Account | | 78 |
| Council Tax Income Account | | 80 |
| Non Domestic Rates Income Account | | 81 |
| Common Good Funds | | 82 |
| Trust Funds | | 83 |
| **Principal Financial Statements of the Group** | | |
| Group Comprehensive Income & Expenditure Statement | | 84 |
| Group Movement in Reserves Statement | | 85 |
| Group Balance Sheet | | 86 |
| Group Cash Flow Statement | | 87 |
| **Notes to the Group Financial Statements** | | |
| 1. Group Accounting Policies | | 88 |
| 2. Non-Consolidation Interests in Other Entities | | 90 |
| 3. Financial Results of Associates and Joint Ventures | | 90 |
| 4. Financial Impact of Group Consolidation | | 91 |
| **Glossary of Terms** | | 92 |

**Independent auditor's report to the members of Stirling Council and the Accounts Commission**

**To follow**

# Management Commentary

The purpose of the Management Commentary is to present an overview of Stirling Council's performance during the 2023/24 financial year and to help readers understand its financial position at 31 March 2024. In addition, it outlines the main issues and risks that may impact the performance of the Council in the future.

Stirling Council, one of 32 local authorities in Scotland, was established by the Local Government Scotland Act and came into being on 1 April 1996.

It provides services to 92,600 residents in the entire Stirling area, which has a mixed geography, comprising the city of Stirling, towns of Bridge of Allan, Dunblane, Doune and Callander, along with many villages. The area also comprises part of Loch Lomond and The Trossachs National Park.

Local Government elections take place every 5 years. Polling for the most recent government elections took place on Thursday 5 May 2022, resulting in 23 councillors being elected to Stirling Council across 7 electoral wards. Since that date, two by-elections have been held and, as a result, the Council is comprised as follows:

| LAB | CON | SNP | GRE | IND | Administration |
|---|---|---|---|---|---|
| 5 | 8 | 7 | 1 | 2 | Minority Labour Administration |

The structure of the Council continues to transform to meet the needs of Stirling's residents and operate an effective and efficient local authority:

## Stirling Council's structure

**CHIEF EXECUTIVE OFFICE**
Responsible for development of corporate policy, particularly in the areas of social inclusion, equalities, best value and efficient government.

**EDUCATION**
Responsibilities include primary and secondary schools, early learning and childcare, additional support needs, education psychology and youth services.

**CHILDREN AND FAMILIES**
Responsibilities include children's social work services and criminal justice social work services.

**INFRASTRUCTURE**
Services include planning, building standards, property, transport, parking, environmental health, trading standards, and climate change & sustainability.

**ENVIRONMENT AND PLACE**
Services include waste and recycling, roads and street lighting, traffic management, land services and council vehicle management.

**ECONOMIC DEVELOPMENT AND CULTURE**
Responsibilities include economic development, delivery of the Stirling and Clackmannanshire City Region Deal, culture, tourism and events.

**HOUSING**
Services include allocations, homelessness, repairs, private sector housing, and income management.

**PEOPLE AND COMMUNITY WELLBEING**
Responsibilities include human resources, organisational development, communications, community, resilience, support services and libraries.

**CUSTOMER SERVICE AND PERFORMANCE**
Services include customer services and performance, information technology, business planning and transformation.

**GOVERNANCE**
Responsibilities include audit, legal, counter fraud, licensing, records & information, governance, committee, elections and elected member support.

**FINANCE**
Responsibilities include council tax, benefits, accounting, and procurement.

The Council also works closely with Clackmannanshire and Stirling Health and Social Care Partnership, which delivers adult health and social care services across the region, and with Active Stirling which delivers leisure services.

The kind of services that Stirling Council provides includes housing, economic development, nursery, primary and secondary education, roads and waste services as outlined below:

### The kind of services the Council provides

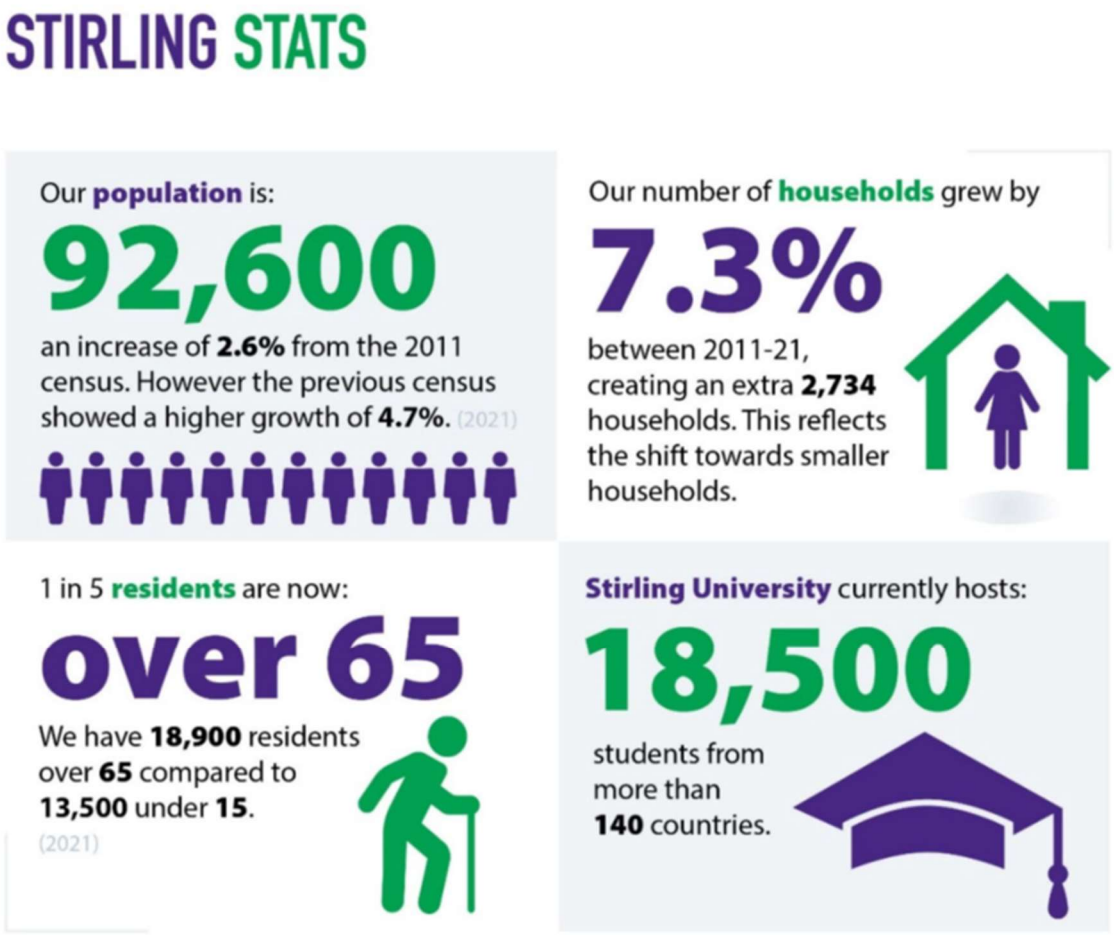
## Stirling's Profile

Stirling is a community of enormous variety. From Tyndrum in the north to Mugdock in the south, we have all levels of rural and urban lifestyle. We also have wide variety in level of deprivation, with 48% of children in parts of Raploch living in poverty compared to less than 5% in King's Park, under 28 miles away. A high proportion of some of the nation's least deprived people live in Stirling but we want to make sure that everyone here gets the opportunities they deserve and can live comfortably.

Many of the trends we see in our population demographics, like an ageing population and the shift towards more but smaller households, echo trends seen in the rest of Scotland, the UK, and other G7 countries. These demographic changes have important implications for the council and how we provide our services: there are more people in Stirling, and more elderly people in particular, as well as more households. This means that there will be more health needs to meet, more bins to collect, and more

children to teach. We must continue to meet these core needs, even though our revenue has not increased to match the changes.

We are also seeing increased visitor demand, a challenge that also gives us the opportunity to consolidate Stirling's reputation as an unmissable tourism destination. Visitors benefit from high quality and clean spaces, good quality travel infrastructure, and a strong economic offering. These are key service areas that improve life for tourists and residents alike.


STIRLING STATS
Our population is:
92,600
an increase of 2.6% from the 2011 census. However the previous census showed a higher growth of 4.7%. (2021)
Our number of households grew by
7.3%
between 2011-21, creating an extra 2,734 households. This reflects the shift towards smaller households.
1 in 5 residents are now:
over 65
We have 18,900 residents over 65 compared to 13,500 under 15.
(2021)
Stirling University currently hosts:
18,500
students from more than 140 countries.

## Our Vision and Goals

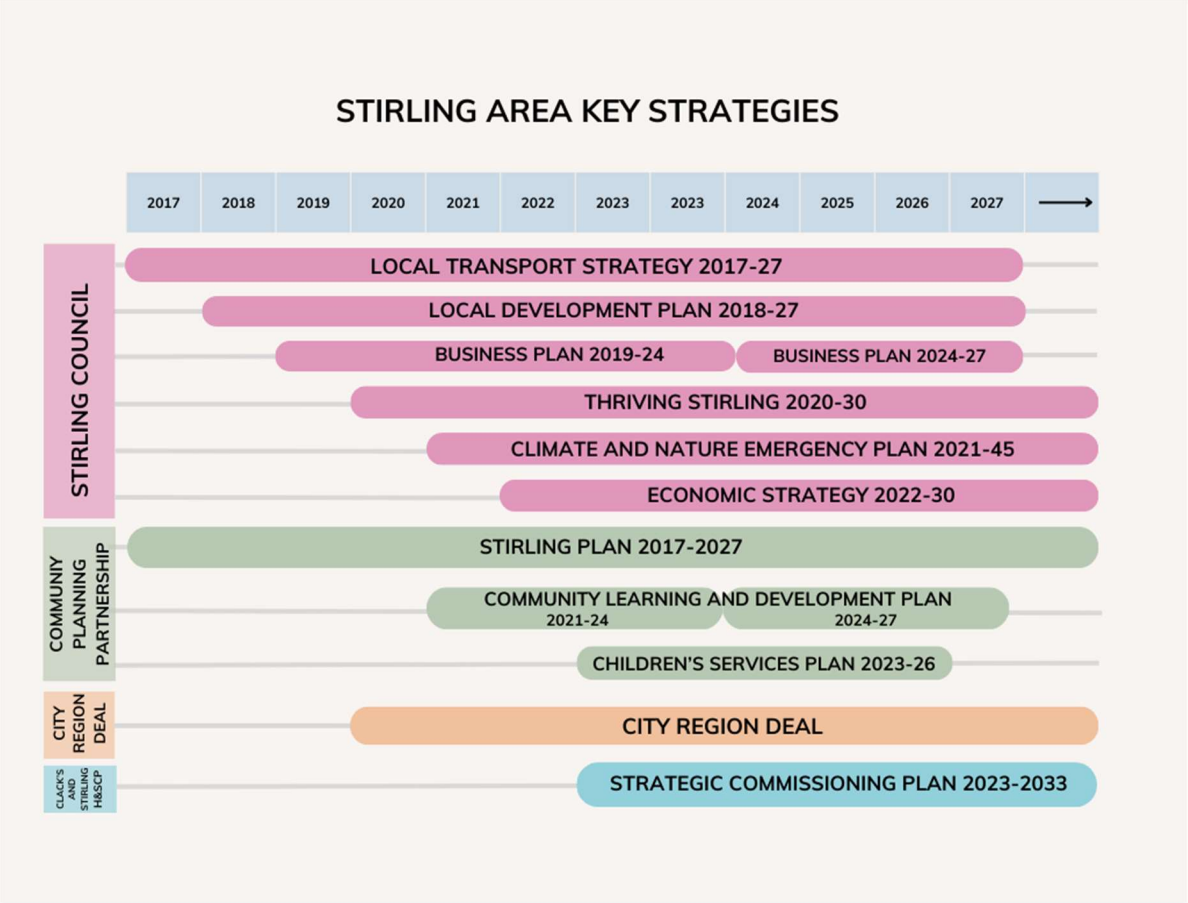
The vision for the Stirling region was agreed by all partners of Stirling's Community Planning Partnership in 2017 in our Local Outcomes Improvement Plan. We all want to work towards a Stirling where everyone can thrive. This vision is reflected in the Council's 10-year Strategy, 'Thriving Stirling,' which was published in 2020.

The Council's 3-Year Business Plan shows how we are making progress on that strategy and its associated priorities. It sets out the actions that we are taking to achieve our four strategic outcomes of **equality**, **financial sustainability**, **carbon net zero**, and a **strong economy,** identifying the key actions that services will work towards in the next three years.

The Strategy is underpinned by the Council's ten strategic priorities, agreed by the Council in December 2022 and to be delivered within the five years of its terms (2022-2027):

1. Improving the quality of life by providing responsive services that ensure our neighbourhoods are attractive, safe and happy for everyone.
2. Providing quality services people need and maintaining effective relationships with our staff and external organisations.
3. Building community capacity and empowering citizens through participation and partnerships.
4. Developing a competitive and thriving sustainable local economy across Stirling.
5. Improving health and wellbeing outcomes ensuring equal access to opportunities that help our citizens and communities to thrive.
6. Embedding digital and physical connectivity and accelerating infrastructure development.
7. Ensuring our young people have access to the best quality education enabling the best start in life.
8. Tackling the climate and nature emergency and pursuing our net zero ambition through action.
9. Investing in wellbeing, including sport, leisure, food and nutrition, culture and events.
10. Continuing investment in housing to address health and well-being inequalities.

The following chart shows the key strategies and plans that support the vision of the 10-year strategy and the shared vision of the Community Planning Partnership. A number of additional service-level plans contribute to the goals set in these umbrella plans.




## Partnership working

Achieving the best outcomes also requires strong partnerships between the region's organisations and bodies. This partnership is formalised into a 'Community Planning Partnership' (CPP), and five public bodies have a shared lead role for community planning:

- Stirling Council
- NHS Forth Valley
- Police Scotland
- Scottish Fire and Rescue
- Scottish Enterprise

Other key organisations within the partnership are:

- Historic Environment Scotland
- Forth Valley College
- Scottish Natural Heritage
- Visit Scotland
- Clackmannanshire and Stirling Health and Social Care Partnership (Integration Joint Board)
- University of Stirling
- SportScotland (Scottish Sports Council)
- Loch Lomond and Trossachs National Park
- Scottish Environment Protection Agency
- Skills Development Scotland
- Tayside and Central Regional Transport Partnership (TACTRAN)
- Stirlingshire Voluntary Enterprise

Together, these partners encompassing health, education, leisure, business, and more produce our Local Outcomes Improvement Plan that covers the whole area, known as the Stirling Plan. They also create Locality Action Plans, which cover smaller areas with a focus on improving outcomes in our most disadvantaged communities. Our current Improvement Plan runs until 2027, and the Community Planning Partnership will continue to listen and respond to the needs of the region in developing the next plan.

## Our Performance

Performance reporting to the Council's four decision-making Committees are provided throughout the year for three aspects of the Council's performance:

- **Strategic** – progress of delivery of the Council's Priorities
- **Operational** – performance of Council's services
- **Benchmarking** – performance of Stirling Council compared to other local authorities, and over time, as per the set of national Local Government Benchmarking Framework (LGBF) indicators

### Strategic Delivery

***Priority 1 (our neighbourhoods)*** - the condition of parks and open spaces was good over the year, as was public facilities, Air quality was also good, providing a healthy environment for neighbourhoods and communities. Anti-Social Behaviour cases remained persistent, which means there is still work to do to achieve safer neighbourhoods for everyone.

***Priority 2 (customer services and relationships)*** - the Council continued to improve its relationships with customers by its good response rates and most suppliers rate their experiences with the Council as 'good'. The Council continues to increase its digital offer with more people using our website for information and business: 130 transactions are now available online.

***Priority 3 (community empowerment)*** - more people than ever before were engaged throughout the year by consultation and Community Council attendance. However, we have more to do in reaching a diverse range of community members, particularly our younger residents.

***Priority 4 (local economy)*** - Stirling achieved increased employment, with more businesses supported and wage levels on the increase. Broadband access in rural areas was also on the increase.

***Priority 5 (health and wellbeing)*** - most adults who were supported to live independently were happy with their support, less than 1 in 5 adults that smoke and about 1 in 5 people do not have a healthy weight.

***Priority 6 (connectivity)*** - over 9 in 10 households have access to superfast broadband in Stirling, with the same number having access to public transport – public transport access to rural areas remains a challenge for Stirling.

***Priority 7 (education)*** - school attendance and attainment was strong over the year, as were positive destinations for all pupils.

***Priority 8 (climate and nature)*** - Stirling's waste re-use and recycling showed steady improvement throughout the year, and we installed more EV chargers - however Stirling's $CO_2$ emissions continued to increase.

***Priority 9 (sport, leisure, culture)*** - Stirling had more participation in sports and leisure, culture and events over the year, with accompanying increased revenue.

***Priority 10 (housing)*** - the Council reduced the time to house the homeless over the year, along with increasing the number of adaptations to homes, and increasing the number of properties meeting the Energy Efficiency Standard for Social Housing.

## Operational Performance

Performance of Council services is measured by a range of indicators that either meet targets (on track) or do not meet targets (off track). This performance is reported to Committees every quarter – the summary results are below:

| Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|---|---|---|---|---|---|---|
| On track | Off track | On track | Off track | On track | Off track | On track | Off track |
| 69 | 15 | 61 | 13 | 66 | 14 | 64 | 13 |

Examples of some of the indicators reported as being off track and actions undertaken to address these are as follows:

- ***Average time taken to re-let properties*** - Work has started on reviewing the Council's Lettable Standard, with the review considering how to best reduce re-let times and refusal. Performance has improved (76 days) but is outwith the target (52 days). Void management remains a key area of focus for improvement in the coming months, with additional trade operatives recruited and an external contractor in place to help support the increased workload in this area.
- ***Total Amount of Household Waste Sent to Landfill (%)*** - The total amount of Household Waste sent to Landfill is subject to seasonal variation across the calendar year. This indicator is on trend with previous years across the same period, however remains higher than the service target due to increased activity in relation to kerbside collections and household waste recycling centres.
- ***% of Stirling Council Influenceable Spend with SMEs (Small Medium Enterprises)*** - The Council commenced work this year under the Progressive Procurement pillar of Community Wealth Building to better engage with smaller businesses. This work has already started to shows signs of having a positive impact and work will continue. Good working relationships have been built with local external partner organisations which will enable improvement in this area over the coming years.
- ***% half days attended by Secondary School pupils*** - Recently published national figures show a decline in secondary attendance across Scotland, however, Stirling's attendance remains above the national average by approximately 2%. Secondary schools continue to focus on improving pupil engagement in learning, supported by the central team to analyse data and carry out assessments to understand the causes of frequent absences and to provide relevant supports. Stirling is working with colleagues across the Regional Improvement Collaborative to ensure consistent coding of absences. Local data is being analysed to gain a better understanding of pupils with additional support needs, some of whom have lower school engagement. Initial findings suggest that those most likely to be in this category are senior learners with social or emotional difficulties, neurodevelopmental conditions or those affected by anxiety. This information will help inform further improvement activity.
- ***Number of Children's Hearings reports submitted on time*** - A review of all delayed reports was undertaken which identified a range of reasons for the delays but no significant trends. These included additional time being required to fully assess complex family circumstances to ensure reports were of sufficient quality; arranging additional support services to avoid a young person needing to come into the care system; and some instances of work being delayed due to caseload pressures. The most common reason for delays was due to a number of instances where the Scottish Children's Reporter Administration (SCRA) was requesting that reports be submitted within less than the 20 working days that are in the guidelines. SCRA are being engaged with to identify suitable improvement activities that will reduce the number of instances where there is a reduced timeline.

- ***% of Council Tax income collected*** - the target is 97.7%, however, our final collection for 2023/24 was 97.5%. The Cost of Living crisis continues to impact on the ability of some households to meet council tax payments. In 2022/23 customers received Cost of Living Payments from the Government, these payments were not available in 2023/24. Our Council Tax Reduction caseload continues to grow with levels now at their highest since November 2021. The Council continues to offer welfare guidance and support to those citizens requiring assistance.

### LGBF Results

The Local Government Benchmark Framework (LGBF) is a set of performance indicators developed for Scottish councils to compare performance and encourage shared learning and continuous improvement. The latest LGBF data (2022/23) showed that Stirling Council had:

- 29 indicators in the top 25% of councils in terms of performance;
- 39 indicators in the bottom 35% of councils in terms of performance;
- 12 indicators where the ranked position was static;
- 45 indicators that had improved their ranked position since the previous year;
- 51 indicators where the ranked position had declined since the previous year.

## Public Performance Reports

The Council is required to report on a range on information sufficient to demonstrate that it is securing best value across the range of services that it provides.

Performance dashboards for various Services across the Council can be found on the Council's website at the following path: Public Performance Reporting | Stirling Council.

Service Update Report and Operational Performance Reports are reported to the relevant Council Committee and can be found on the Council's website at the following path: Minutes and agendas | Stirling Council.

LGBF data can be found at: Explore the data | Benchmarking (improvementservice.org.uk).

## Risk Management

The current version of the Council's Risk Management Policy (the Policy) was approved by the Audit Committee at its meeting on 8 June 2023. The Policy outlines key responsibilities and accountabilities in relation to the management of risk. The Chief Officer – Governance is responsible for ensuring that the Council operates a professional and objective Internal Audit, Corporate Fraud and Risk Management service, with support from the Audit Service Manager and Risk Management Coordinator. The Corporate Management Team is responsible for ensuring that the Council manages risk effectively, in line with the Policy.

The Council maintains a Strategic Risk Register (SRR). The SRR documents the key risks that may impact on the Council's ability to deliver on its priorities and key objectives. Under powers delegated by Council the Audit Committee monitors the effective development and operation of arrangements for the management of risk in the Council and undertakes regular scrutiny of the SRR.

Operational Risk Registers (ORRs) are maintained by teams within each Council Service. The purpose of these ORRs is to ensure that risks generated by, or likely to impact on, each Service are managed effectively. These are reviewed and updated on an ongoing basis. Significant operational risks may be escalated to the Strategic Risk Register.

## Our Key Risks

The Strategic Risk Register currently sets out 23 separate risks along with the potential consequences arising from each risk and the controls in place to mitigate that risk. Examples of 'Red' risks, based on an assessment of likelihood and impact, are as follows:

| |
|---|
| **Failure to deliver services within the agreed and balanced revenue budget:**<br>This relates to the management of risks to the delivery of statutory and other services in line with the annual budget approved by Council. Mitigations include the monitoring of budgets and agreed savings targets and challenge by professional Finance team staff. |
| **Failure to proportionately respond to the ongoing ecological emergency and climate change:**<br>This involves managing risks relating to the achievement of targets set out in the Climate Change (Scotland) Act 2009, as amended by the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. Actions taken in terms of the Council's Climate and Nature Emergency and Climate Adaptation Plans assist in mitigating this risk. |
| **Increasing levels of poverty, including those working in poverty, across Communities:**<br>This risk arises from additional demands on Council services due to increasing financial hardship. This risk is principally managed through developing a programme of community support and advice, improving accessibility to Council services and developing relationships with community organisations and voluntary services. |
| **Failure to plan and progress the required level of transformational change:**<br>This relates to the management of risks to the Council's ability to transform the way it delivers services, realising savings and resulting in better customer experience. Governance and operational structures are in place to manage a wide ranging and ambitious portfolio of transformation projects, with regular scrutiny and challenge via officer boards and elected Members. |
| **Delays in the supply chain caused by local or global materials shortages:**<br>The increasing cost and limited availability of goods and services impacts on the Council's ability to deliver front line services. Regular review of key capital projects and controls in relation to the procurement of Council goods and services help mitigate this risk. |

## Financial Strategy

The Council's financial strategy supports the delivery of the Council's strategic priorities which were agreed in December 2022. However, due to increasing demands for services, significant inflationary increases across many areas of cost, higher than anticipated pay awards, and core grant funding that has not kept pace with these pressures, the Council faces a significant challenge to maintaining its financial sustainability over the next few years.

As outlined in the ten-year Thriving Stirling strategy, the Council has developed a longer term approach to financial planning and budgeting over many years. The Council takes a strategic approach to managing its revenue spend, capital investment and treasury requirements:

- A Draft Three Year Budget Position (2024/25-2026/27) was presented to the Council in February 2024, along with the 2024/25 balanced budget. This indicated a cumulative £18.276m budget gap over the period, which the Council must address through transformation and service redesign. Work is currently underway to develop a comprehensive five-year Medium Term Financial Plan, which will further articulate the extent of the financial challenges the Council faces in the medium to long term, and will further inform the Council's long term transformation programme – this will be published in 2024/25.

- A whole-organisation Capital Strategy, which outlines how capital planning will be undertaken to enable the Council to achieve its longer term strategic objectives, was approved in September 2023. Work on developing a five-year rolling Capital Plan is now underway.
- The Treasury Management Strategy 2024/25 was presented to Council in February 2024, outlining how the Council will ensure that its short-term liquidity requirements and longer term capital investment proposals will be funded. The Strategy illustrates how treasury risks in relation to borrowings and cash and cash equivalents are managed effectively and in accordance with the principles of the CIPFA Prudential Code, to ensure the long term financial sustainability of the Council.

## Key Financial Ratios

The following table provides information regarding the financial performance of the Council and the affordability of its ongoing commitments:

| Financial Indicator | Commentary | 2023/24 | 2022/23 |
|---|---|---|---|
| **Uncommitted General Fund reserve as a % of annual net budget** | Reflects the amount of funding available to manage unplanned events. The Council's Reserves Policy states a minimum level of 2% - 2.5% of net budget, which is considered appropriate in the context of the Council's financial and ongoing risk profile. | 2.8% | 2.3% |
| **In year council tax collection** | Reflects Stirling Council's effectiveness in collecting council tax debt. Stirling has one of the highest Council tax collection rates in Scotland. | 97.53% | 97.85% |
| **Council Tax funding to overall level of funding** | Reflects the overall percentage of Stirling Council funding that is received from local taxation. This indicator is in line with all other local authorities. | 22.5% | 21.7% |
| **Actual outturn compared to budgeted expenditure** | How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of budget monitoring as reported throughout the year, and reflects continuing sound financial management. | 99.4% | 101.8% |
| **External debt levels** | The actual external debt and long term liabilities position of Stirling Council.<br>Excluding debt associated with other statutory bodies<br>The actual figures above should never exceed Stirling Council's Authorised Debt Limits, which are calculated in line with the requirements of the Prudential Code for Capital Finance in local Authorities. | £247.994m<br>£240.678m<br>£346.445m | £212.888m<br>£205.488m<br>£311.973m |
| **Ratio of finance costs to net revenue stream** | This is a measure of how affordable Stirling Council's capital plans are. It takes actual finance costs as a % of net revenue spend. | General Fund 5%<br>HRA 20% | General Fund 6%<br>HRA 18% |
| **Capital financing requirement** | Reflects Stirling Council's underlying need to borrow to finance capital expenditure incurred historically by the Council that has yet to be financed. (See Note 16) | £312.009m | £271.469m |

# Financial Performance

## Primary Financial Statements

The annual accounts summarise the Council's transactions for the year, its financial position at 31 March 2024 and its cashflows. The annual accounts are prepared in accordance with the International Accounting Standards Board Framework for the Preparation and Presentation of the Financial Statements as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

The Primary Statements include the Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement (MIRS), Balance Sheet and Cashflow Statement. These statements are accompanied by notes to the accounts which provide more details on the figures shown in the statements and set out the accounting policies adopted by the Council.

The CIES presents the total cost of providing Council Services in 2023/24 along with the income available to fund those services.

## Usable Reserves

The Council holds funds in a number of Usable Reserves for various purposes. A breakdown of these Reserves is shown below:

| | | |
|---|---|---|
| **General Fund Non Earmarked Reserve**<br>£7.292m<br>(2022/23 £5.682m)<br>Funds held as a general contingency | **General Fund Earmarked Reserve**<br>£15.348m<br>(2022/23 £24.176m)<br>Funds held for specific purposes - see note 12 | **General Fund Service Concession Reserve**<br>£17.961m<br>(2022/23 £nil)<br>Funds held for specific purposes - see note 12 |
| **Housing Revenue Account**<br>£0.986m<br>(2022/23 £0.986m)<br>For spending on the Council's housing stock | **Repairs and Renewals Fund**<br>£1.691m<br>(2022/23 £1.838m)<br>For specific types of repair and maintenance works | **Insurance Fund**<br>£0.215m<br>(2022/23 £0.352m)<br>Insurance for items not covered by external insurance policies |
| **Capital Receipts Reserve**<br>£1.200m<br>(2022/23 £1.465m)<br>Capital receipts generally available to finance capital expenditure | **Capital Grants and Receipts Unapplied Account**<br>£0.843m<br>(2022/23 £1.097m)<br>Capital receipts received (in-year), together with capital grants that have yet to be applied to meet capital expenditure | **Total Useable Reserves**<br>**£45.536m**<br>**(2022/23 £35.596m)**<br>**The Movement in Reserves Statement provides more detail on Usable Reserves** |

## General Fund Revenue Outturn 2023/24

General Fund Reserves are split between non-earmarked reserves (the level of funding available to Stirling Council to manage financial risks and unplanned expenditure) and earmarked reserves, which have been set aside for specific purposes (see note 12).

Actual outturns against budget for each of the Council's General Fund Service areas are as follows:

| | Budget 2023/24 £000 | Outturn 2023/24 £000 | Variance 2023/24 £000 |
|---|---|---|---|
| Chief Executive Office | 416 | 416 | - |
| Executive Office and Communications | 480 | 420 | (60) |
| Communities and Performance Management | 188 | 186 | (2) |
| Housing | 2,391 | 2,518 | 127 |
| People & Community Wellbeing | 10,819 | 10,534 | (285) |
| Customer Services & Performance | 10,275 | 10,302 | 27 |
| Children & Families | 12,227 | 11,994 | (233) |
| Schools & Learning | 110,784 | 109,295 | (1,489) |
| Balfron PFI & Schools PPP | 19,416 | 20,138 | 722 |
| Environment and Place | 22,821 | 22,963 | 142 |
| Infrastructure | 15,634 | 15,447 | (187) |
| Economic, Planning and Climate Change | 5,034 | 4,577 | (457) |
| Finance | 4,283 | 4,528 | 245 |
| Governance | 2,919 | 2,919 | - |
| **Cost of Services** | **217,687** | **216,237** | **(1,450)** |
| Corporate Budgets | (6,387) | (6,664) | (277) |
| Government Grants & Non Domestic Rates | (203,121) | (203,051) | 70 |
| Council Tax Income | (59,140) | (59,093) | 47 |
| **Net Surplus for Year (excluding HSCP)** | **(50,961)** | **(52,571)** | **(1,610)** |
| Clacks & Stirling Health & Social Care Partnership | 50,961 | 50,961 | - |
| **Net Surplus for Year (including HSCP)** | **-** | **(1,610)** | **(1,610)** |
| Uncommitted Reserves 1 April 2023 | (5,682) | (5,682) | - |
| Net Surplus for Year | - | (1,610) | (1,610) |
| **Uncommitted Reserves 31 March 2024** | **(5,682)** | **(7,292)** | **(1,610)** |

Services reported a net underspend of £1.450m with the more significant variances arising in the following Service areas:

- People & Community Wellbeing reported a net underspend of £0.285m, with recruitment costs being less than anticipated within the reporting period, less demand on apprenticeship and graduate funding, and a final allocation of European Social Fund monies being received before the financial year end.
- Children & Families reported a net underspend of £0.233m, due mainly to lower than anticipated demand for external placements, which reflects a continuation of improved service management through Resource Allocation Group.
- Schools & Learning reported a net underspend of £1.489m, with underspends in the areas of Additional Support Needs (£0.586m), Early Years (£0.484m) and Secondary Education (£0.760m), being partly offset by overspends in Primary Education (£0.174m), Facilities Management (£0.137m) and Management & Support (£0.030m).
- The Balfron PFI/Schools PPP unitary charge payments were overspent by £0.722m as a result of significant inflationary increases impacting on the contracts.

- Economic, Planning and Climate Change reported an underspend of £0.457m, primarily from increased income at the National Wallace Monument due to an upturn in the predicted visitor numbers across the summer months, together with staff vacancy savings within the Transport, Planning and Development Service and the Transport Coordination team.
- Finance reported an overspend of £0.245m, mainly due to additional posts required to support wider transformational activities across the team.

Corporate areas of the budget reported a net underspend of £0.277m with adverse variances being more than offset by an underspend in Non Domestic Rates empty property relief, loan charges savings and the £1m uncommitted reserves top-up from service concession monies as agreed by Council in March 2023.

General Revenue Grant reported a shortfall of £0.070m against original budget estimates as a result of in-year grant redeterminations, with Council Tax income also reporting a shortfall of £0.047m against budget.

The Stirling element of the Health & Social Care Partnership (HSCP) reported an overspend of £1.349m. However, the HSCP Chief Finance Officer confirmed that the overspend on the integrated budget would be met from HSCP reserves in 2023/24. This resulted in a breakeven position for the Stirling Council element of the HSCP.

Uncommitted General Fund reserves at 31 March 2024 were £7.292m, being 2.8% of General Fund budget and therefore above the target range of 2% to 2.5% (£5.3m to £6.7m).

In addition to uncommitted reserves, during 2023/24, earmarked reserves moved from £24.175m to £15.348m, representing a reduction of £8.827m. All earmarked reserves movements are outlined in note 12.

In September 2022, the Scottish Government permitted councils to apply additional flexibility to accounting treatment for PFI/PPP service concession arrangements in place prior to 1 April 2022. This flexibility provided Councils with the ability to reprofile principal repayments relating to PPP/PFI contracts (mainly schools) over the life of the asset (say 50 years), as opposed to the life of the service contract (say 25 years).

The Council has two service concession arrangements which were considered under the new flexibility rules - Balfron PFI and Stirling Schools PPP. Officers worked with Treasury Management Advisors to undertake a review and confirm the magnitude of the financial benefit arising from the service concession flexibility, which indicated a one-off financial benefit of £27.358m. The Council budget meeting on 2 March 2023 approved the allocation of the £27.358m service concession monies to various reserves established for specific purposes, effective from 1 April 2023. During the financial year 2023/24, £9.397m of service concession reserves were used for specific purposes leaving a remaining balance of £17.961m as at 31 March 2024.

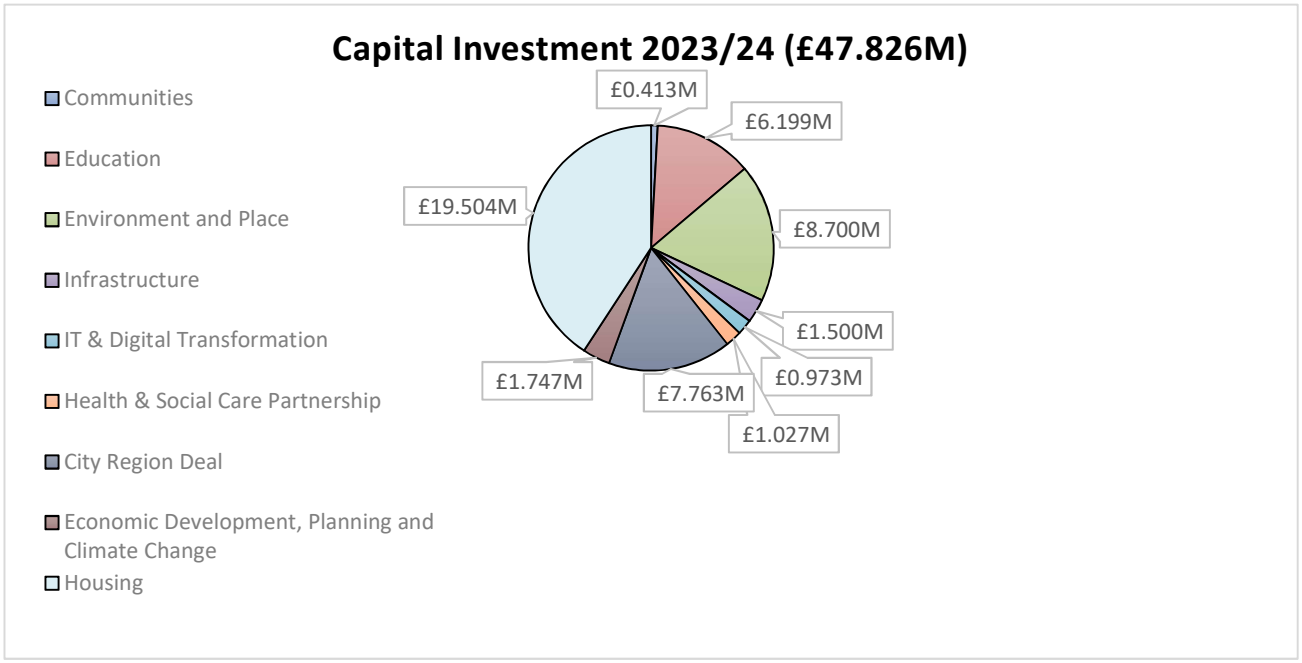
Overall, General Fund reserves (uncommitted, earmarked and service concession) moved from £29.858m to £40.601m, a net increase of £10.743m for 2023/24. Taken together with other reserves' movements, overall usable reserves increased by £9.940m as outlined in the Movement in Reserves Statement.

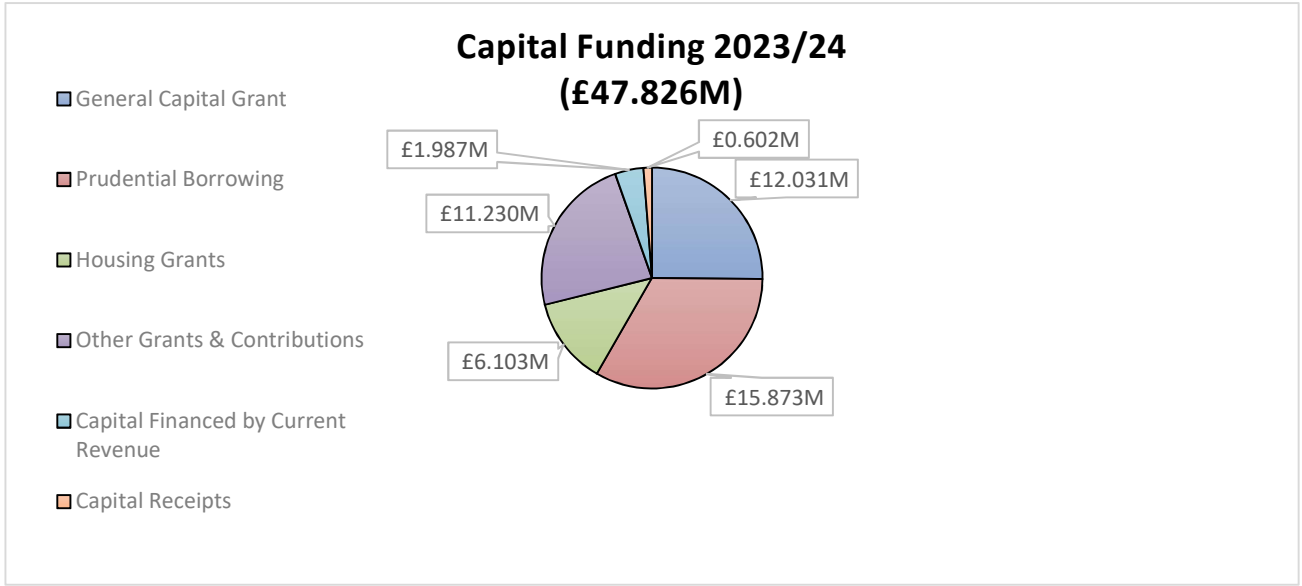
## Capital Outturn 2023/24

Capital expenditure represents money spent by the Council for buying, upgrading or improving assets such as buildings and roads. The difference between capital and revenue expenditure is that the Council receives the benefit from capital expenditure over a period exceeding one year.

| | |
|---|---|
| **£47.8m** | Actual capital expenditure incurred in 2023/24 |
| **£47.8m** | Actual capital funding identified in 2023/24 |
| **£14.2m** | Underspend due to expenditure not meeting the profile assumed in the capital programme. (Net position: General Services £15.7m underspend; HRA £1.5m overspend)<br>Further information is provided on Page 61 'Capital Commitments'. |

The following graphs provide further detail of capital funding (by source) and capital investment (by service area):



## Treasury Management and Investment

Stirling Council defines its Treasury Management activities as "the management of the Council's borrowing, investments and cash flows, it's banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The most recent Treasury Management Strategy was approved by the full Council on 29 February 2024. The Treasury Management Strategy links directly with the Council's Capital Strategy and incorporates capital investment plans, Treasury Management and loans fund activities and relevant prudential indicators. A mid-year Treasury Management Strategy update and annual Performance Review is also presented to a meeting of the Finance, Economy and Corporate Support Committee. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management function is to ensure that this cash flow is adequately planned, with cash being available when it is required.

The second aspect of the Treasury Management function is the funding of the Council's capital plans. These plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or the restructuring of existing debt.

In accordance with the approved strategy, Treasury Management activity during 2023/24 continued to maintain the Council's loan portfolio on a strong, low-risk, long-term basis with due consideration of budget requirements to minimise the cost of debt. Prudent cash-flow management with on-going short-term, operational, investment of surpluses together with the phasing of capital expenditure, favourable terms for temporary borrowing and the deferring on new long-term borrowing resulted in loans fund savings. For 2023/24, the loans fund pooled rate was 4.86% (4.18% in 2022/23) and resulted in savings against loans charges of £0.809m for General Services and an overspend of £0.641m for Housing Revenue Account.

The Council's Treasury Management Strategy Statement for 2024/25 can be found on the Council's website at: Minutes and agendas | Stirling Council.

## Group Accounts

Stirling Council has a controlling interest in a number of companies and joint ventures, which were set up to promote partnerships between the public and private sectors. After consolidation, the Group Balance Sheet shows an increase in reserves and net assets (excluding minority interests) of £17.751m or 2.6% from those reported in Stirling Council's Balance Sheet (2022/23, increase of £19.016m, 2.7%).

## Major Influences on Stirling Over the Short to Medium Term

There is wide acknowledgement that the way national and local government services work needs rethinking. Partially as a result of factors like austerity and the pandemic, the performance of Scottish councils in various service areas has deteriorated over the past ten years. In Stirling, adult social work, culture and leisure, and resident satisfaction have faced particular challenges. The Accounts Commission's call for "radical change, through greater collaboration" is intended to address this decline, and frames much of the work that the council will progress over the coming years.

The Scottish Government has identified five areas of reform for this parliament's lifetime:

- Digitalisation
- Maximising revenue through public sector innovation
- Reform of the public sector estate
- Reform of the public body landscape

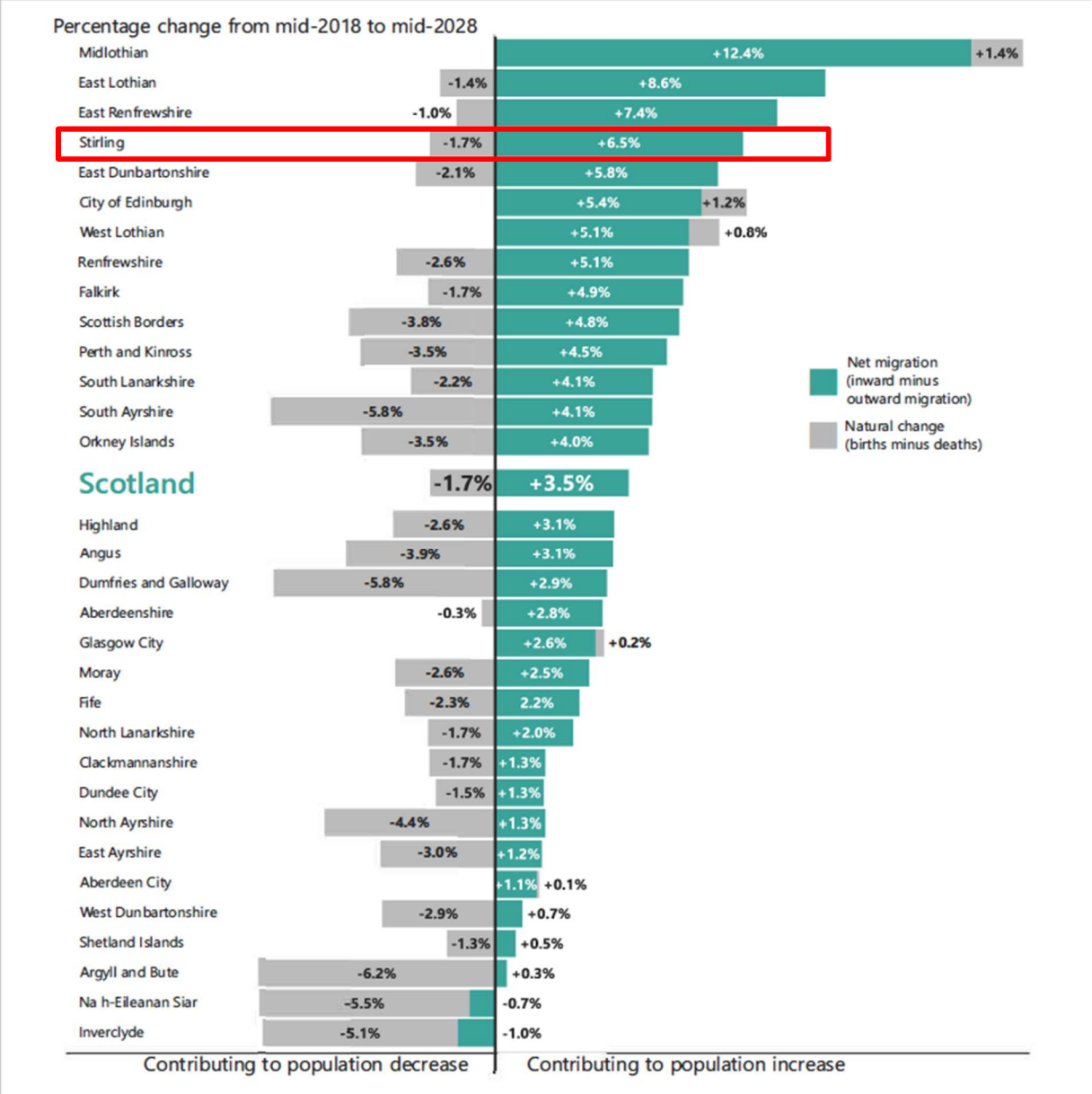
- Improving public procurement.

Several of these areas have already begun in many councils. Stirling Council is incorporating digitalisation into both service delivery and 'back-office' operations. Some fees or charges have been introduced or raised, though caps have been set on these charges. We work with organisations across the public body landscape in both day-to-day and strategic duties. Short-term funding, policy uncertainty, and lack of autonomy are some reasons why reform has, to date, been slowed.

Meeting the challenge of transformation will require a skilled workforce, wider political will, and national structural changes to leverage the best the public sector can offer. It will also require collaboration across all sectors to improve services and reduce costs. This process of transformation must also account for significant fluctuations elsewhere, including economic, financial, climactic, and political influences. All of this sets the backdrop for the next three years here in Stirling.

## Demographic influences

Between 2011 and 2022, Stirling's population grew by 2.6%. This trend is expected to continue, with the National Records of Scotland predicting a 4.8% increase in Stirling's population between 2018 and 2028. This growth is anticipated to be entirely from inward migration (6.5%), and it is expected to result in more, but smaller, households.



Our population is also ageing, with 1 in 5 Stirling residents now over 65 years old. This trend is also expected to continue, with a projected increase of 20% in people 65 and over in Scotland between 2020 and 2030. More residents, including a larger proportion of elderly residents, adds to demand for council services like responsive mobility and social care support, while decreasing income raised from council tax due to rate reductions.

Alongside a growing population, the number of people in poverty and registered as homeless in Scotland has continued to grow. Children continue to be more likely to face poverty than the rest of the population. The most deprived populations spend over a third of their life in poor health, on average. The gap in healthy life expectancy between the top and bottom socio-economic groups is about 25 years. These factors affect demand for social care, education, financial support, housing, and employability. We already spend about three quarters of our annual budget on services that tackle inequalities and support older people, like social care services, council housing, and libraries, and these costs will increase with the anticipated population changes. The poverty crisis will continue to be a determining factor in how Stirling Council supports its residents and improves equity.

### Economic influences

Over the coming years, our £214m City Region Deal will continue to be a major influence, with £14m to be invested in skills, innovation, and infrastructure projects over the next decade. The City Region Deal includes a further £15m investment in culture, heritage, and tourism that will help Stirling grow its reputation as a visitor destination. Stirling Studios at Forthside will offer 100,000 square foot of studio space, and 110,000 square foot of production, logistics, and office space. It will unlock significant investment and job opportunities, creating over 4,000 jobs in 25 years and supporting wider supply chains, with job creation starting as early as this year. The upcoming Visitor Levy bill gives us further opportunity to invest more in our cultural and tourism offering, which will benefit visitors and residents alike. Our Community Wealth Building strategy will shape Stirling's economic contexts, providing greater local benefits and strengthening entrepreneurial and local communities. Alongside these opportunities, there are also challenges, including a changing population, inequalities across our communities, the impact of climate change, and workforce management.

### Workforce

Skills shortages are a particular issue within local government. Recruitment and retention of key specialisms is becoming increasingly difficult as local government's challenges in matching pay to inflation makes it more likely that staff move to higher-paying employers or choose to leave the public sector.

Our staff worked under exceptional pressure during the pandemic to maintain services and support communities, and they continue to deal with emerging challenges. Despite our focus on staff well-being, there are concerning levels of staff absence in some areas, an issue echoed across the public sector. This will continue to be a consideration in how we work over the next few years.

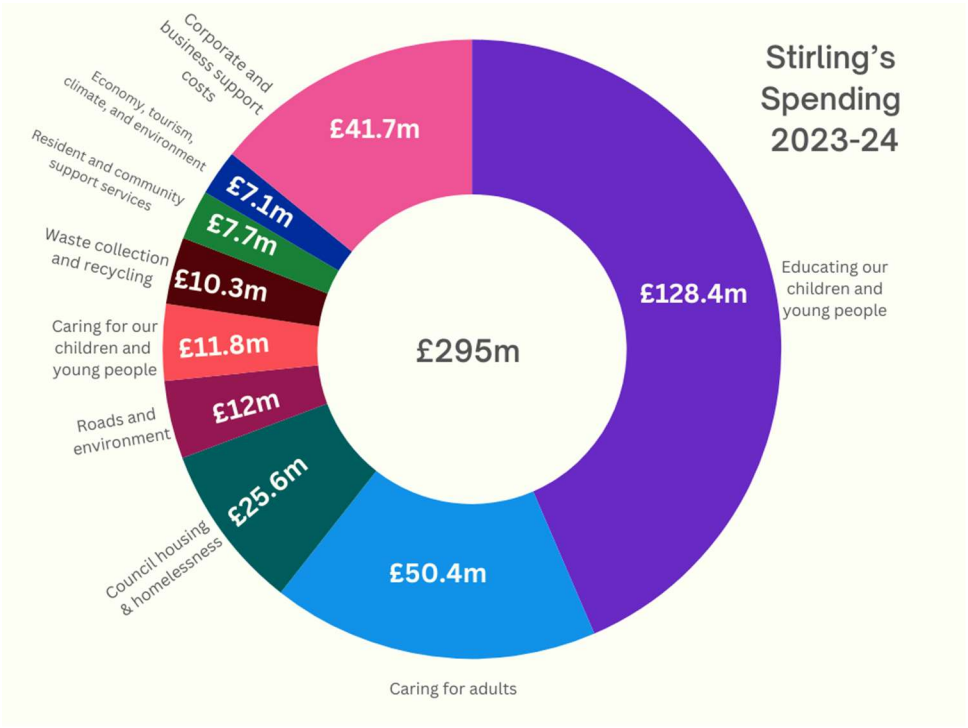
### Financial influences

The economic factors outlined above as well as other national and global factors will have ongoing impacts on public sector finance.

In 2023-24, Stirling received £203.5m from the Scottish Government grant and non-domestic rates. Council tax contributed £59.1m to our budget, council housing rents contributed £23.3m, and £9.1m of reserves were used, for a total budget of £295m.

In December 2023, the Scottish Government announced that local government would receive around £14bn of funding in 2024-25, but because councils' costs are going up faster than the funding we receive, they are overwhelmingly planning to cut spending on services, increase fees and charges, and spend reserves to balance their budgets.

Stirling Council approved an estimated £12.1m of savings in 2024/25, and needs to make a further £10.5m of savings in 2025/26 to balance the budget. Although we have a history of balancing our budget (saving approximately £40m in the last 10 years) and finding more cost-efficient ways to deliver services, the funding and income we receive no longer meets the rising costs and increasing demand for services. The Council faces a projected cumulative revenue budget gap of £18.3m until 2026/27.




Wider economic pressures outwith our control, such as the cost-of-living crisis, demand for social services, and severe weather events, all contribute to increasing pressures on the council's finances. This means that difficult decisions will continue to be a feature of council planning for the foreseeable future.

We will continue to maximise revenue wherever possible, but service reductions will inevitably be required for the council's long-term financial sustainability.

## Public Sector Finance

In 2022, inflation rose to its highest levels since the early 1980s, with fuel, energy, and food prices affected particularly sharply. In Scotland, over a million people, more than 20% of our population, are living in poverty. This puts additional pressure on public services to support as many people as possible. Rising costs of materials and skills shortages in the construction industry make it even harder to complete construction and asset maintenance programmes, with an impact on delivery.

Funding is unlikely to keep pace with increasing financial demands: in 2022 the Scottish Government's spending review outlined that local government will receive the same amount of money from the Scottish Government between now and 2026. This means that funding does not match inflation, so councils are facing real terms decrease in cash available to provide services. Delivering our approved strategies will be made more challenging still by the fact that the majority of the council's current commitments were developed before the government made these 'flat-cash' predictions.

Audit Scotland has also predicted a decrease in real-terms core funding until at least 2028. Ring-fenced and directed funds, which must be spent on nationally-directed priorities and services, means that there is less left to spend on local non-statutory priorities, as well as leaving fewer areas where we can make savings.

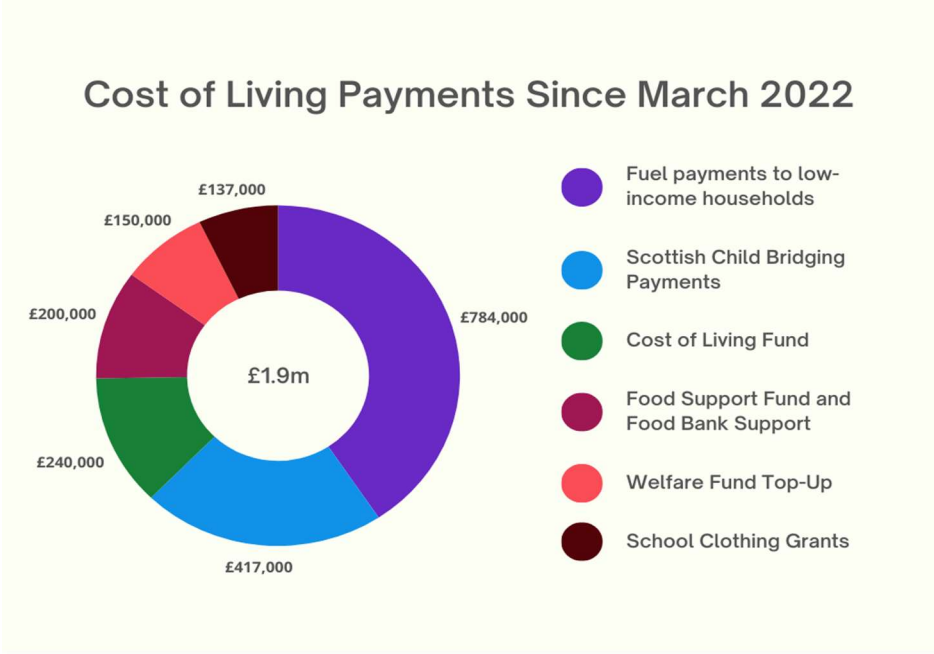
In March 2023, the council closed a budget gap of £17m by making corporate and service savings of over £6m, and increasing council tax by 7%. We also used £9m of our one-off reserves to help close the gap, as many other councils did in 2023/24, and plan to do so again this year. This is the least sustainable form of funding as reserves can only be used once. Stirling, similar to other councils, has had little real choice but to take that decision.

All of these challenges make it critical for the council to invest proactively in areas that will stimulate the local economy, improve the lives of residents, reduce our running costs, and support our transition to net zero. To help achieve these goals, the council agreed a £55.9m capital programme in 2023/24, across public infrastructure, schools, council housing, and corporate accommodation. This will run alongside the Stirling and Clackmannanshire City Deal programme that is to be delivered during the decade, which has already unlocked significant funding for local priorities and will continue to be a key driver for economic development.

## Cost of Living

The cost-of-living crisis refers to the fall in real disposable incomes (after accounting for taxes, benefits, and inflation), that the UK has faced since late 2021. In recent research, 92% of council respondents said that the cost-of-living crisis is adding significant pressure to council finances.

In March 2022, Stirling Council allocated £1.9m to support one-off initiatives to alleviate some of the pressure on Stirling's financially vulnerable households (shown in the chart below). While the Resolution Foundation has predicted that the crisis will ease in 2024, they also warn that real wages will not return to early 2022 levels until the end of 2027. This means that the cost-of-living crisis will remain a consideration for the next few years. Schemes like those shown below will continue to be needed to offer vital support to those who need it, but they also increase the pressure on local government finance.




## Climate Emergency

Human activity, mainly burning fossil fuels and changing the way we use land, is contributing to heating the planet. We can lock up some of our emissions in peat bogs like Flanders Moss and by planting trees, but we cannot capture them at the rate we are releasing them. Changes in our climate are causing extreme weather events like storms Arwen and Babet, which flooded swathes of Stirlingshire, and, without action, it will get worse. Extreme weather can lead to more deaths from heat and cold, the growth of disease-carrying mosquitoes and ticks, and more difficulty keeping homes safe and dry. Transport disruptions and power cuts will get more frequent. If we continue with existing national policies, it is predicted that the costs associated with climate change in the UK will increase to an estimated £74.9bn by 2050. Without changing how we use energy, land, and materials, we face an uncertain future that threatens social, economic, and planetary systems.

Stirling Council recognised the Climate and Nature Emergency in 2019 and published the Climate and Nature Emergency Plan in 2021. Scotland has committed to becoming “Net Zero” by 2045 and set a legal duty to meet this target. This means minimising emissions from our buildings, travel, industry, and resource use, and locking up any leftover emissions in nature-based solutions. We also need to prepare for the effects of climate change that are already unavoidable.

All of this shapes what we do now and over the coming years. It is a significant challenge, but it comes with great opportunities too. In addition to preserving the planet for ourselves and future generations, this transition gives us the opportunity to redesign the places we live and work to improve wellbeing, create new jobs and skills, and preserve and enhance the natural habitats that define the Stirling area. The lack of reliable evidence about the potential savings and costs, and how multiple risks or actions affect these costs, means that we will need to react quickly and effectively to any unintended consequences that arise. Provision will have to be made to allow for this flexibility, both in budgets and in work plans, posing additional challenge to consider.

## Political and legislative influences

In April 2023, the Scottish Government published its Programme for Government, setting out the aims for 2026. It focused on three missions:

- **Equality**: Tackling poverty and protecting people from harm.
- **Opportunity**: A fair, green and growing economy.
- **Community**: Prioritising our public services.

Specific commitments pledged by ministers included agreeing and implementing a New Deal for Local Government; delivering National Care Service Legislation (now on hold); taking forward the Circular Economy Bill; and introducing Land Reform legislation. Bills for introduction in the current budget year include education, electoral reform, and housing, among others.

The current targets set by Scottish Government often fall to local government to fulfil in practice. For example, bills like the United Nations Convention on the Right of the Child (UNCRC) incorporation, the Visitor Levy, and Community Wealth Building require services to adapt to a changing legislative environment, and require time and resources to implement. We will need to do research and analysis to inform how Stirling can benefit most from each change, and find ways of working that ensure efficient implementation. In addition, we must continue to progress our work on realising the aims of other legislation like the Fairer Scotland Duty, the Community Empowerment Act, the Transport Act, and the Climate Change Act. All this must be woven into the work we do to progress the council's own priorities. It factors in to the goals we set ourselves, which have to be flexible enough to account for variations in timescales and government-led demands.

| | | |
|---|---|---|
| Jean Campbell | Caroline Sinclair | Cllr Chris Kane |
| Chief Officer Finance | Chief Executive | Leader of the Council |

# Statement of Responsibilities

**The Authority's Responsibilities**

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Chief Officer Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Audit Committee at its meeting (to be confirmed). Signed on behalf of Stirling Council.

Cllr Chris Kane
Leader of the Council

**The Chief Officer Finance's Responsibilities**

The Chief Officer Finance is responsible for the preparation of the authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Annual Accounts, the Chief Officer Finance has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with legislation.
- Complied with the Local Authority Accounting Code (in so far as it is compatible with legislation).

The Chief Officer Finance has also:

- Kept adequate accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Local Authority and its group at the reporting date and the transactions of the Local Authority and its group for the year ended 31 March 2024.

tbc
Chief Officer Finance

# Annual Governance Statement

**Scope of Responsibility**

Stirling Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council has a statutory duty, under the Local Government in Scotland Act 2003, to make arrangements to secure best value through continuous improvement in the performance of its functions. The Council has Schemes of Delegation and Sub Delegation which clearly define the powers and authority of Council, its Committees and senior officers. The Chief Officer – Governance is authorised to amend and update the Scheme of Delegation for subsequent consideration and approval by Council. The scheme of sub delegation is approved by the Chief Executive. Compliance with Schemes of Delegation is mandatory. The Chief Officer – Governance, in her role as Monitoring Officer, is responsible for preparing a report for Council if it appears to her that the Council, a Committee or any officer is likely to contravene the law or give rise to maladministration or injustice.

This Annual Governance Statement relates to the governance framework in place within the Council for the year ended 31 March 2024 and up to the date of signature of the Council's Annual Accounts for 2023-24.

The Council's Local Code of Corporate Governance (the Code) was approved by the Audit Committee in August 2022. The Code is consistent with the the best practice and good governance principles set out in the Delivering Good Governance in Local Government: Framework and related Guidance Notes for Scottish Authorities published in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). It also incorporates the requirements of CIPFA's Statement on The Role of the Chief Financial Officer in Local Government.

This Statement explains how the Council has complied with the Code and the Statement itself complies with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners 2023-24, which details the requirements for an Annual Governance Statement. The Statement also complies with the Delivering Good Governance in Local Government Framework and Guidance Notes and the Local Authority Accounts (Scotland) Regulations 2014, both of which require the Council to conduct an annual review of the effectiveness of its system of internal control, to consider and report the findings of that review and to approve an Annual Governance Statement signed by the Chief Executive and Council Leader.

**The Governance Framework**

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads its communities. This enables the Council to monitor achievement of the Strategic Priorities approved by Council in December 2022, supported by the 10-Year Strategy 2020-2030 'Thriving Stirling' and the Three-year Business Plan, and to consider whether those objectives have led to the delivery of value for money.

The Council's system of internal control is a significant part of the governance framework and is designed to manage risk to a tolerable level. Internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage those risks efficiently, effectively and economically.

The Council's governance framework is set out in the Local Code of Corporate Governance, to provide:

- an overview of the governance arrangements in operation within the Council;
- assurance that the Council's business is run lawfully, accountably and openly; and,
- a focus for the Council's self-assessment of its governance arrangements.

The Council maintains organisational and management structures to ensure it has the right capacity, competencies, behaviours and governance arrangements to address future opportunities and challenges, with emphasis on: community planning and engagement; health and social care integration; strategic infrastructure delivery; meeting changing customer demands; and managing ongoing financial challenges.

The Council structure underpins a flexible service delivery approach based on priorities and outcomes. Decision-making and delegation arrangements and the organisational structure are kept under review to support the delivery of the Council's strategic priorities and objectives. The Council approved a senior management structure on 3 March 2022 and a democratic and decision-making structure on 19 May 2022. The Committees and Panels established by Council currently include:

- Community Wellbeing and Housing Committee
- Children and Young People Committee
- Environment, Transport and Net Zero Committee
- Finance, Economy and Corporate Support Committee
- Public Safety Committee
- Planning and Regulation Panel

The Council also has an Audit Committee, which is chaired by a member of the opposition.

Council approved various amendments and revisions to the Standing Orders and to the Scheme of Delegation on 9 March 2023. These included amendments to Committee titles, structures and remits. Council also approved revised Contract Standing Orders on 9 March 2023.

Senior management, decision-making and scrutiny arrangements are aligned with the Council's strategic priorities and provide an effective framework through which the Council can direct and control its activities and scrutinise its performance in delivering those priorities. Key elements of the Council's corporate governance framework include:

- the 10-Year Strategy 2020-2030 ('Thriving Stirling'), approved by the Council in December 2020. This sets out a clear, long-term, vision and goals for the Council and provides a framework for planned, structured, agile and adaptable transformation that will focus resources on achieving the greatest impact and value for money for Stirling's communities, citizens and visitors, as well as the Council's staff and partners;
- a rolling three-year Business Plan, reviewed annually, that acts as a guide operationally and financially, helping the Council to prioritise resources, leadership and partnership activity to achieve the vision, goals and outcomes in the 10-Year Strategy 2020-2030 ('Thriving Stirling'), both of which are accessible on the Council's website;
- governance arrangements for Community Planning that include a Community Planning Partnership (CPP) Executive Board responsible for leading on the shared priorities and outcomes of CPP partners, under the Stirling Plan and supported by a Senior Officer Group representing each Partner;
- the budgeting process, which underpins and aligns strategically with the 10-Year Strategy 2020-2030 and the three-year Business Plan. This enables the Council to manage future costs and service demands, aligning service delivery and transformation to address demands and deliver best value;
- formal arrangements for the delivery of strategic transformation programmes and corporate savings options and the delivery of related projects;
- a framework for planning and performance management, based on an Outcomes Based Accountability approach, incorporating internal and public performance reporting, enabling the Council to monitor and report on performance in achieving the strategic priorities agreed by Council in December 2022. Performance reports include the Annual Report and Accounts and Performance and Portfolio Performance Reports, which are published on the Council's website and in Council or Committee agenda papers;
- presentation of reports, including findings and recommendations, from Internal Audit, External Audit and other inspectorates to the Corporate Management Team, the Operational Governance Board, the Audit Committee, Decision-Making Committees and to Council;

- Standing Orders, Schemes of Delegation and Sub-Delegation, Contract Standing Orders and Financial Regulations, which define the roles and responsibilities of Elected Members and officers and are subject to periodic review;
- the overall responsibilities of:
  - the Chief Executive, as the Head of Paid Service, for all aspects of operational management;
  - the Chief Officer - Finance for keeping proper financial records, maintaining an effective system of internal financial control and ensuring appropriate advice is given to the Council on all financial matters;
  - the Chief Officer - Governance, as Monitoring Officer, for ensuring appropriate legal and other advice is given to the Council and for ensuring compliance with relevant legislation and procedures; and
  - the Audit Service Manager, for reviewing, appraising and reporting to management, the Audit Committee and the Council on the adequacy of internal control, risk management and corporate governance arrangements.
- an Audit Committee that provides the Council with independent assurance of the adequacy of the governance and risk management frameworks and the internal control environment, including through an Annual Report;
- a Risk Management Policy and related procedures that set out the responsibilities of Elected Members, the Audit Committee, management and staff in identifying and managing risks to the Council's strategic priorities;
- a Council-wide Strategic Risk Register and Operational Risk Registers, which identify risks and treatment actions and are regularly reviewed, updated and reported to the Audit Committee and the Operational Governance Board;
- Business Impact Assessment and Recovery Plans, setting out arrangements for service continuity in the event of an emergency or other disruption to critical services;
- the Council's Personal Growth & Development (PGD) process, which underpins objective setting for staff and management and supports the Council's strategic priorities through a range of shared behaviours;
- Elected Members' registered interests are declared on the Council website and a Register of Officers' Interests (for senior officers) is maintained;
- a Members' Remuneration and Expenses Scheme consistent with Scottish Government guidance and an Annual Statement of Members' Allowances and Expenses are published by the Council on its website, outlining the salary, allowances and expenses paid to each Elected Member;
- induction training on roles and responsibilities and ongoing development opportunities are provided for Elected Members;
- codes of conduct that set out the standards of behaviour expected from Elected Members and officers, including the Councillors' Code of Conduct and the Code of Conduct for the Council's employees;
- a Counter Fraud Strategy that sets out the responsibilities of officers and Elected Members in relation to fraud and corruption, and a Whistleblowing Policy;
- a Local Code of Practice on Following the Public Pound and Funding External Bodies and arrangements for appointments to Boards or management groups of group entities, to ensure proper accountability for Council funds used in the external delivery of services to meet strategic priorities and objectives; and
- a clear governance and reporting framework that provides for regular review and reporting to decision-making committees on the operation of Council ALEOs and other strategically-funded bodies.

**Review of Effectiveness**

In accordance with best practice set out in the Delivering Good Governance in Local Government Framework and the Local Authority Accounts (Scotland) Regulations 2014 the Council is responsible for

conducting, at least once in each financial year, a review of the effectiveness of its governance framework, including the system of internal financial control. The review of the effectiveness of the Council governance framework is informed by:

- the work of the Corporate Management Team, which develops and maintains the governance environment;
- the work of Council managers and finance staff;
- the annual assurance statements on governance arrangements that are provided by senior managers;
- an annual review, by Internal Audit, of compliance with the Council's Local Code of Corporate Governance;
- the Audit Service Manager's annual report and Internal Audit reports across the range of Council services;
- reports from the Council's external auditor; and,
- reports from other external review bodies, agencies and inspectorates.

The annual review of effectiveness is supported by a process of self-assessment and assurance certification by senior managers. Senior managers were asked to identify progress on implementing improvement actions identified as part of their 2023-24 assessments and to identify actions they propose to take in 2024-25.

The Audit Service Manager considered the returns and improvement action plans received from each Service and concluded that these did not highlight any issues of significance that would otherwise impact on the level of assurance over the effectiveness of the Council's overall governance framework. The self-assessment process enabled Services to identify planned improvements during 2024-25 to their Service-level governance framework, including:

- the People and Community Wellbeing Service will continue with work already underway to review and develop revised policies, procedures and guidance for job design and recruitment in consultation with Trade Unions and will seek the approval of the Finance, Economy and Corporate Support Committee for any revised policies;
- the Transformation team will develop Portfolio Risk Reporting arrangements to track and monitor risks across transformational project and programmes, ensuring alignment to the Strategic Risk Register. An overall Transformation Risk Register will be created and a monthly risk report will be submitted to the Stirling's Future Board to allow senior managers to regularly review risks and to take appropriate action;
- the Finance team will continue to develop a full suite of financial controls associated with the use of the Council's newly implemented 'MyPortal' Enterprise Resource Planning (ERP) system. This will maintain core controls for ledger, accounts payable and receivable, payroll, HR, procurement, and associated feeder systems;
- the Strategic Planning, Data and Performance team will lead the development and implementation of a revised approach to business planning, leading to Service Plans that set out annual, planned service delivery activities that are directly linked to the Council's Priorities, statutory responsibilities and partnership agreements and objectives; and
- the ICT team will deliver improvements in relation cyber security arrangements, including continued review of the Council's security environment, embedding and tuning next generation firewall performance, consolidation of the Security Operations Centre and procurement of Cyber Incident Response services.

Internal Audit performed an annual review on the existence, appropriateness and application of key elements of the Council's Local Code of Corporate Governance during the year to 31 March 2024, concluding that:

- the Code is consistent with CIPFA and SOLACE guidance on the Delivering Good Governance in Local Government Framework and with the International Framework of Good Governance in the Public Sector; and

- the key governance arrangements and controls are clearly set out in the Code and there is sufficient, clear, reliable and objective evidence to provide assurance that these exist and are being applied in practice.

In order to comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners 2023-24, this Statement incorporates assurance on the governance arrangements and systems of internal financial control within the consolidated group entities of the Council. The review of the effectiveness of those arrangements is informed by, where appropriate, their Annual Governance Statements, the opinions of their external auditors and work undertaken by relevant internal auditors.

**Roles and Responsibilities of the Audit Committee and the Audit Service Manager**

The Audit Committee is chaired by a member of the opposition and operates in accordance with CIPFA's Audit Committee Principles in Local Authorities in Scotland and Audit Committees: Practical Guidance for Local Authorities. As per the Council's Scheme of Delegation its role includes:

- to review internal and external audit reports and the main issues arising and to seek assurance that action has been taken where necessary;
- to receive and consider the Audit Service Manager's annual report, summarising Internal Audit activity and the level of assurance this provides over the arrangements for risk management, governance and internal control within the Council;
- to satisfy itself that the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- to maintain an overview of the Council's Local Code of Corporate Governance; and
- to review the Annual Accounts and to consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

The Council's Audit Service Manager has the responsibilities of the 'Head of Internal Audit', as defined in the CIPFA Statement on the Role of the Head of Internal Audit and of the 'Chief Audit Executive', as defined in the Public Sector Internal Audit Standards. As required by PSIAS, the Audit Service Manager prepares an annual Internal Audit Plan and undertakes a programme of Internal Audit reviews, which take account of the risks identified in the Council's risk registers and Internal Audit's own assessment of risk.

The Audit Committee has delegated authority to approve the annual Internal Audit Plan and regularly monitors the performance of Internal Audit. The Audit Service Manager provides an annual report to the Audit Committee containing an independent opinion on the adequacy and effectiveness of the Council's risk management, internal control and corporate governance arrangements.

Internal Audit reports are provided to Elected Members, to management and to the appointed external auditor. The reports include improvement recommendations and agreed action plans to address these. Management is responsible for responding to those reports and ensuring that appropriate action is taken. Progress made and significant matters, including any non-compliance with agreed actions from Internal Audit work, are reported to the Audit Committee.

**Compliance with Best Practice**

During 2023-24 the Council continued to develop and operate financial governance arrangements that enable it to meet the best practice requirements set out in the CIPFA Financial Management Code (the 'FM Code'). The Chief Officer – Finance, the Audit Service Manager and respective staff also developed and undertook a self-assessment framework, based on the FM Code requirements, to assess and provide evidence of compliance and to identify any improvements that will, where necessary, be addressed by planned action to maintain the Council's continued compliance with the FM Code.

The Council seeks to comply with the requirements of CIPFA's statement on The Role of the Chief Financial Officer in Local Government. During much of 2023/24, however, the post of Chief Financial Officer was, and remains, vacant. Appropriate interim arrangements were established. The Finance

Service Manager was appointed as interim S.95 Officer, with a direct reporting line to the Chief Operating Officer – Communities and Performance.

The Council complies with the requirements of CIPFA's statement on The Role of the Head of Internal Audit in Public Service Organisations. The Audit Service Manager has responsibility for the Council's Internal Audit service and is professionally qualified and suitably experienced to lead and direct the Internal Audit team.

The Council's Internal Audit service operates in accordance with the Public Sector Internal Audit Standards, published in 2017. This was verified by an independent, 5-yearly, external quality assessment undertaken in December 2022 and January 2023.The assessment and report were submitted to the Audit Committee in March 2023 and concluded that Council's Internal Audit team fully complies with the Standards.

The Council complies with the requirements of CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption. The Audit Service Manager has responsibility for the Council's Corporate Fraud service. The Audit Service Manager is suitably experienced to lead and direct the Corporate Fraud team, comprising professionally qualified Counter Fraud Officers, in line with the Council's Counter Fraud Strategy which was updated in September 2021.

**Best Value Assurance**

The Accounts Commission published its Best Value Assurance Report (BVAR) for the Council in April 2019 following review work performed by Audit Scotland. The report highlighted key challenges for the Council including cumulative savings required over a 5-year period and made ten recommendations for improvement, including in relation to: public performance reporting against priorities; use of benchmarking to improve service delivery; and leadership in demonstrating a systematic approach to self-evaluation and delivering improvement.

In June 2019 the Council considered the BVAR report and an improvement action plan developed by Officers. Since then, both Council and the Operational Governance Board (OGB) have received progress reports from officers on the implementation of agreed improvement actions. Update reports on BVAR were submitted to the OGB in August, November and December 2023 and in March 2024.

The report to OGB in March 2024, titled 'Proposal for Future BVAR Activity', changed the governance and scrutiny arrangements for the completion of any remaining BVAR improvement actions. All future external audit recommendations, including those relating to 'Best Value', will now be monitored by the Audit Committee in line with the Scheme of Delegation, which requires the Committee to monitor management action in response to the issues raised by external audit.

The Council's Business Planning and Performance Manager will oversee progress with the implementation of external audit recommendations, with input and assistance from the Finance Service Manager and Audit Service Manager. The Business Planning and Performance Manager will prepare twice yearly reports for the Audit Committee, ensuring that the OGB is sighted on these prior to their consideration by the Committee.

**Significant Governance Issues: Further Progress and Planned Actions**

The Audit Service Manager's overall opinion on the Council's arrangements for risk management, governance and control is included within the Internal Audit Annual Assurance Report for 2023-24. In that report the Audit Service Manager concludes that substantial assurance can be provided on arrangements in place during the year to 31 March 2024. Any significant findings arising in the period between 1 April 2024 and the date of signing of this Statement are set out in the Audit Service Manager's update reports submitted to the Audit Committee.

The Audit Committee approved the programme of Internal Audit work undertaken for 2023-24 (the Plan), on which that opinion is based, in March 2023.

The assurance opinion above is provided on the basis of a substantively completed Internal Audit Plan, as in previous years, with only a small number of reviews carried forward to completion in 2024-25. The majority of audit reports issued in, or in relation to, 2023-24 provided at least a 'substantial assurance'

opinion on the area reviewed. However, only 'limited assurance' could be provided for specific control issues identified from internal audit reviews and reports for Building Security, Commissioning of Social Work Services (Children & Families), and the Council's Climate and Nature Emergency Plan 2021-2045.

The nature and impact of any significant changes to the internal control, governance and risk management arrangements continue to be monitored and considered and any relevant issues are included within this Statement, at the date of signature. They will also be monitored and considered through Internal Audit work and reported, as necessary, in the Annual Governance Statement for 2024-25.

The Council and its group entities work to address matters identified during audits and other inspections. Subject to any issues noted in this Statement, monitoring of progress with agreed improvement actions included in the previous Annual Governance Statement Improvement Action Plan has identified that:

- **Enterprise Resource Planning (ERP) System:** work continued during 2023-24 on the development and implementation of the Council's new ERP system, 'MyPortal', mainly in relation to system design, integration testing, data migration and end-user training. The system 'go live' took place on a phased basis in April 2024. The first phase, which related to HR and payroll functionality, went live on 8 April. This was followed by finance and procurement functionality which went live on 25 April. Further work will continue to refine and develop the system for use in the live environment as part of 'business as usual';
- **Transformation: Workforce Planning and Accommodation:** in May and October 2023 Council approved a Strategic Outline Business Case and a Corporate Accommodation Strategy and Plan. At a Special Meeting of Council in February 2024 Council agreed to note and agree the updated Corporate Accommodation Strategy;
- **Strategic Priorities and Performance Management Reporting:** in June 2023, logic models for each of the Council's 10 priorities and KPI's were presented to Council, as part of an Outcome Based Accountability (OBA) approach to performance management. Detailed KPIs have also been presented to the Council's 'Decision-Making Committees' for approval. New 'Portfolio Performance' reports are now being routinely reported to the 'Decision-Making Committees', and a new 3-Year Business Plan was approved by Council in May 2024, as an essential component of the Council's Planning, Performance and Improvement Framework;
- **Community Wealth Building:** work continued during 2023-24 on the Council's Community Wealth Building (CWB) Plan, with a CWB action plan approved by Council in March 2023. The Community Wellbeing and Housing Committee (CW&H) agreed in May 2024 that a member-officer workshop would be scheduled to revisit priorities and explore any barriers to progress. CW&H also agreed that a report on the outcomes of that work would be submitted to the next meeting of CW&H; and
- **Local Housing Strategy and Strategic Housing Investment Plan:** an updated Strategic Housing Investment Plan (SHIP) for 2024-25 to 2028-29 was approved by the Community Wellbeing and Housing Committee (CW&H) in November 2023. The SHIP set out the Council's strategic priorities for affordable housing across the Council area, for the Council and its Registered Social Landlord partners. The Local Housing Strategy remains under further development.

The following table sets out some examples of planned developments in the Council's corporate governance framework which will be undertaken or progressed further during 2024-25. These have all been the subject of reports to Council or Committee.

| | Council Strategic Priority | Source | Decisions and Further Actions in 2024-25 |
|---|---|---|---|
| **1.** | Developing a competitive and thriving sustainable local economy across Stirling.<br><br>Investing in wellbeing, including sport, leisure, food & nutrition, culture and events. | Finance, Economy and Corporate Support Committee (FECS) | **Heritage Strategy**<br>In November 2023 FECS agreed to:<br>1. note the need for and approve the development of a Heritage Strategy for Stirling;<br>2. note the establishment of a heritage forum to assist in the development of the Strategy, with representation from local and national heritage partners; and<br>3. note that officers would bring to a future meeting of Committee the draft Heritage Strategy for consideration and approval. |
| **2.** | Building community capacity and empowering citizens through participation and partnerships. | Community Wellbeing and Housing Committee (CW&H) | **Area Forums**<br>In February 2024 CW&H agreed to:<br>1. the continued practice of working with communities to develop and maintain Forums, supporting local agenda-setting and community empowerment;<br>2. note and take assurance from the planned delivery of thematic ward events in the first half of 2024, to ensure continued public engagement where Forums were slow to develop; and<br>3. note that a review of Council communication channels and platforms will be undertaken to inform a comprehensive framework for engagement and consultation with communities. |
| **3.** | Building community capacity and empowering citizens through participation and partnerships. | Stirling Council | **Local Development Plan**<br>In June 2023, Council agreed to:<br>1. note the Development Plan Scheme and Participation Statement for adoption and publication;<br>2. note the Consultation Analysis Report;<br>3. note the formation of the Member Forum to support engagement with Elected Members in the preparation of the Development Plan; and<br>4. adopt the Development Plan Scheme and the Participation Statement. |
| **4.** | All Council Strategic Priorities | Stirling Council | **Three Year Business Plan 2024-27**<br>In May 2024, Council agreed to:<br>1. approve the draft Three-year Business Plan 2024–2027; and<br>2. to an annual review of the Plan. |

| | Council Strategic Priority | Source | Decisions and Further Actions in 2024-25 |
|---|---|---|---|
| **5.** | Developing a competitive and thriving sustainable local economy across Stirling. | Stirling Council | **Workforce Accommodation & Viewforth Development**<br>In February 2024, Council agreed to:<br>1. note and agree the updated Corporate Accommodation Strategy;<br>2. note the options to rationalise and improve the corporate office accommodation estate.<br><br>In March 2024, Council agreed to:<br>1. note the draft Viewforth Development Framework and associated Planning Brief;<br>2. agree that officers will undertake public consultation on the draft Viewforth Development Framework and Planning Brief. |

**Conclusion**

This Annual Governance Statement summarises, openly and transparently, the governance arrangements established and operated by Stirling Council for 2023-24 and the period to date.

As Leader of the Council and Chief Executive we have been advised on the implications of the review of the effectiveness of the governance framework and that the Council's arrangements continue to be regarded as fit for purpose. It is our opinion that reasonable assurance can be placed on the adequacy and effectiveness of the systems of governance operated by the Council and its Group.

The annual review of effectiveness identifies sufficient evidence that the Council's Local Code of Corporate Governance operates effectively and that the Council and its Group will continue to take steps, in the coming year, to address the above matters to further enhance governance arrangements. We are satisfied that these steps will address the need for improvements that have been identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Caroline Sinclair
Chief Executive

Cllr Chris Kane
Leader of the Council

# Remuneration Report

**Introduction**

The Remuneration Report has been prepared in accordance with the requirements of the Local Authority Accounts (Scotland) Regulations 2014 (SSI No. 2014/200) and the guidance issued by the Scottish Government (Scottish Government Finance Circulars 8/2011 and 7/2014). The Regulations require various disclosures about the remuneration and pension benefits of Senior Councillors and Senior Employees.

For completeness, the disclosure requirements for the totals of elected members' salaries, allowances and expenses and for the number of officers whose remuneration in the year was greater or equal to £50,000 grouped in bands of £5,000 have been included in separate tables within this report. All information disclosed in the tables within this Remuneration Report is audited by Stirling Council's appointed auditor Deloitte LLP. With the exception of the Trade Union Regulations disclosure, all other sections of the Remuneration Report are reviewed by Deloitte LLP to ensure that they are consistent with the financial statements.

All salaries and wages earned up to 31 March 2024 are included in the Accounts irrespective of when payment was made. An accrual is made for the cost of holiday entitlements earned by employees not taken before the year-end, but which employees may carry forward into the next financial year.

**Remuneration of Council Leader, Provost and Senior Councillors**

The Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended by SSI No. 2023/21 regulates the remuneration of Councillors. The Regulations provide for the grading of councillors as either the Leader of the Council, the Provost, Senior Councillors or Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in Stirling Council's political management structure.

For 2023/24 Stirling Council's Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses set the levels of payment in accordance with the Regulations as follows:

- Leader of Stirling Council - maximum salary £33,503 (2022/23, £32,622)
- Provost - maximum salary £25,128 (2022/23, £24,467). Stirling Council is permitted to remunerate one Provost.
- Senior Councillor - maximum salary is 75 percent of total yearly amount payable to the Leader of the Council - £25,128 (2022/23, £24,467).

Stirling Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. As at 31 March 2024, Stirling Council has 8 Senior Councillors (31 March 2023, 8 Senior Councillors).

The Regulations also permit Stirling Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

The most recent Local Government elections took place on 5 May 2022. The total remuneration of those senior elected officials who were in office up to and following the date of the Local Government elections are shown in the table below:

| Elected Member | Office held to 4 May 2022 | Office held from 5 May 2022 | Salary | Exps | Total 2022/23 | | Salary | Exps | Total 2023/24 |
|---|---|---|---|---|---|---|---|---|---|
| | | | £ | £ | £ | | £ | £ | £ |
| C Kane | Senior Councillor | Council Leader | 32,459 | 165 | **32,624** | | 33,465 | 257 | **33,722** |
| D Dodds | Councillor | Provost (to 06/11/23 – Full Year Salary Equivalent 22/23 £24,467 / 23/24 £25,128) | 23,822 | 1,078 | **24,900** | | 17,009 | 414 | **17,423** |
| E Watterson | None | Councillor to 07/12/23 Provost (from 07/12/23 – Full Year Salary Equivalent 23/24 £25,128) | 17,695 | 1,215 | **18,910** | | 21,459 | 1,481 | **22,940** |
| S Farmer | Council Leader | Senior Councillor | 25,073 | 157 | **25,230** | | 25,100 | 140 | **25,240** |
| M Brisley | Senior Councillor | Senior Councillor | 25,192 | - | **25,192** | | 25,100 | - | **25,100** |
| N Benny | Councillor | Senior Councillor | 23,822 | - | **23,822** | | 25,100 | - | **25,100** |
| D Gibson | Senior Councillor | Senior Councillor | 19,571 | - | **19,571** | | 21,447 | - | **21,447** |
| B Flannagan | Councillor | Senior Councillor | 23,822 | - | **23,822** | | 25,100 | - | **25,100** |
| R Fraser | None | Senior Councillor | 21,946 | 228 | **22,174** | | 25,100 | 1,221 | **26,321** |
| J Preston | None | Senior Councillor | 21,946 | - | **21,946** | | 25,100 | - | **25,100** |
| R Nunn | None | Senior Councillor | 21,946 | - | **21,946** | | 25,100 | - | **25,100** |
| J Thomson | Senior Councillor | Councillor | 20,040 | - | **20,040** | | 20,076 | - | **20,076** |
| A MacPherson | Senior Councillor | Councillor | 20,040 | - | **20,040** | | 20,076 | - | **20,076** |
| M Earl | Senior Councillor | Councillor | 20,040 | 2,798 | **22,838** | | 20,076 | 2,646 | **22,722** |

Councillor E Dillon relinquished his role as Vice Convener of the Children and Young People Committee from 6 October 2022, being replaced by Councillor M Brisley. Councillor Dillon's salary as a Senior Councillor up to and including 6 October 2022 was £10,241 (full year salary equivalent £21,946).

**Total Councillors' Remuneration**

In 2023/24, the total remuneration of all Stirling Council's elected members (including Senior Councillors above) was £525,557, of which £512,750 related to salaries and £12,807 to expenses. The comparative figure for 2022/23 was £490,683 (£479,372 salaries and £11,311 expenses respectively).

The annual return of Councillors' salaries and expenses for 2023/24 is available on Stirling Council's website at: https://www.stirling.gov.uk/council-and-committees/politicians-and-elections/councillors-allowances-and-expenses/

**Pension Entitlements of Council Leader, Provost and Senior Councillors**

The pension entitlements of the Council Leader, Provost and Senior Councillors are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension for the period in question.

| | | Pension Contributions | | Accrued Pension Benefits | | | |
|---|---|---|---|---|---|---|---|
| **Elected Member** | **Office held as at 31 March 2024** | **For Year to 31 March 2023** | **For Year to 31 March 2024** | **As at 31 March 2024** | | **As at 31 March 2023** | |
| | | **£** | **£** | **Pension £** | **Lump Sum £** | **Pension £** | **Lump Sum £** |
| S Farmer | Senior Councillor | 5,705 | 5,773 | 10,000 | 2,000 | 9,000 | 2,000 |
| C Kane | Council Leader | 6,968 | 7,697 | 4,000 | - | 3,000 | - |
| E Watterson | Provost | n/a | 4,936 | 1,000 | - | - | - |
| N Benny | Senior Councillor | 5,303 | 5,773 | 6,000 | - | 5,000 | - |
| D Gibson | Senior Councillor | 4,394 | 4,936 | 6,000 | - | 5,000 | - |
| B Flannagan | Senior Councillor | 5,303 | 5,773 | 3,000 | - | 3,000 | - |
| R Fraser | Senior Councillor | 4,701 | 5,773 | 1,000 | - | - | - |
| J Preston | Senior Councillor | 4,701 | 5,773 | 1,000 | - | - | - |
| R Nunn | Senior Councillor | 4,701 | 5,773 | 1,000 | - | - | - |

**Remuneration of Senior Employees**

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Stirling Council sets the remuneration levels for senior employees. Its role is to ensure the application and implementation of fair and equitable systems for pay and for performance management within the guidelines of and as determined by, the Scottish Ministers and the Scottish Government. In reaching its decisions, Stirling Council has regard to the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities, the Council's policies for the improvement of the delivery of local public services and the funds available to the Council.

Only one of the following requirements needs to be met for an employee to meet the definition of being a Senior Employee:

- Has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority (including activities involving the expenditure of money) during the year to which the Report relates, whether solely or collectively with other persons; or
- Holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Annual remuneration including any remuneration from a local authority subsidiary body is £150,000 or more.

The total remuneration of Stirling Council's senior employees is as follows:

| **Senior Employee** | Salary 2022/23 | Expenses 2022/23 | **Total Remuneration 2022/23** | Salary 2023/24 | Expenses 2023/24 | **Total Remuneration 2023/24** |
|---|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** | **£** |
| C Beattie: Chief Executive | 126,723 | 125 | **126,848** | 138,071 | - | **138,071** |
| B Roberts: Chief Operating Officer - Infrastructure & Environment | 97,258 | - | **97,258** | 103,100 | - | **103,100** |
| I McKnight: Chief Operating Officer - Communities and Performance | 97,258 | - | **97,258** | 103,100 | - | **103,100** |
| M Valente: Head of Children & Families<br>Chief Social Work Officer | 93,222 | - | **93,222** | 98,821 | - | **98,821** |
| B Monaghan: Head of Education<br>Chief Education Officer | 90,441 | - | **90,441** | 98,246 | - | **98,246** |
| J McAfee: Chief Officer Governance | 90,441 | - | **90,441** | 96,241 | 36 | **96,277** |
| K Hudson: Head of People & Community Wellbeing<br>(from 4 April 2022, Full Year Salary Equivalent £80,406) | 75,363 | 59 | **75,422** | 89,382 | - | **89,382** |

| Senior Employee | Salary 2022/23 | Expenses 2022/23 | **Total Remuneration 2022/23** | Salary 2023/24 | Expenses 2023/24 | **Total Remuneration 2023/24** |
|---|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** | **£** |
| L Hay: Head of Customer Service & Performance (from 7 November 2022, Full Year Salary Equivalent | 29,225 | - | **29,225** | 88,036 | - | **88,036** |
| A Jacob-Chandler: Head of Economic Development, Planning and Climate Change (from 26 June 2023) | n/a | n/a | **n/a** | 90,005 | 28 | **90,033** |
| D Leslie: Head of Infrastructure | 81,618 | - | **81,618** | 88,889 | 90 | **88,979** |
| D Reid: Head of Environment & Place (from 4 July 2022, Full Year Salary Equivalent £80,406) | 55,593 | - | **55,593** | 85,499 | - | **85,499** |
| S Clark: Chief Officer Housing | 81,618 | - | **81,618** | 88,791 | - | **88,791** |
| G Murphy: Interim Chief Officer Finance (from 1 April 2022 to 31 October 2022 - Full Year Salary Equivalent £90,627) Acting S.95 Officer (from 1 November 2023) | 50,348 | - | **50,348** | 80,298 | - | **80,298** |

The remuneration details of those senior employees who left the employment of the Council during 2023/24 are as follows:

| | Salary 2022/23 | **Total Remuneration 2022/23** | Salary 2023/24 | Severance Costs 2023/24 | **Total Remuneration 2023/24** |
|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** |
| K Stanners: Chief Officer Finance (from 3 October 2022 to 31 October 2023, Full Year Salary Equivalent 22/23 £93,413, 23/24 £99,064) | 42,295 | **42,295** | 63,115 | 42,948 | **106,063** |

In addition to remuneration received from Stirling Council, the following senior employees received fees in respect of elections held during 2022/23. No elections were held during 2023/24.

| | **2022/23 (£)** |
|---|---|
| C Beattie | 2,300 |
| J McAfee | 1,300 |
| G Murphy | 1,300 |
| S Oliver | 100 |
| D Leslie | 56 |

**Pension Entitlements of Senior Employees**

The pension entitlements of Senior Employees are shown in the table below, together with contributions made by Stirling Council to each Senior Employee's pension. All are members of the Local Government Pension Scheme (LGPS).

| | **In-Year Pension Contributions** | | **Accrued Pension Benefits** | | | |
|---|---|---|---|---|---|---|
| **Senior Employee** | **For Year to 31 March 2023** | **For Year to 31 March 2024** | **As at 31 March 2024** | | **Difference from 31 March 2023** | |
| | **£** | **£** | **Pension £** | **Lump Sum £** | **Pension £** | **Lump Sum £** |
| C Beattie: Chief Executive | 28,513 | 31,756 | 24,000 | - | 4,000 | - |
| B Roberts: Chief Operating Officer - Infrastructure & Environment | 21,883 | 23,713 | 47,000 | 60,000 | 3,000 | 3,000 |
| I McKnight: Chief Operating Officer - Communities & Performance | 21,883 | 23,713 | 29,000 | 4,000 | 4,000 | 1,000 |
| B Monaghan: Head of Education Chief Education Officer | 20,349 | 22,597 | 7,000 | - | 3,000 | - |
| M Valente: Head of Children & Families Chief Social Work Officer | 20,975 | 22,729 | 84,000 | - | 7,000 | - |
| J McAfee: Chief Officer Governance | 20,349 | 22,136 | 10,000 | - | 3,000 | - |
| K Hudson: Head of People & Community Wellbeing | 16,957 | 19,563 | 3,000 | - | 1,000 | - |
| L Hay: Head of Customer Service & Performance | 6,576 | 20,158 | 34,000 | 34,000 | 33,000 | 34,000 |
| A Jacob-Chandler: Head of Economic Development, Planning and Climate Change | n/a | 20,701 | 15,000 | - | 4,000 | - |
| D Leslie: Head of Infrastructure | 18,364 | 20,204 | 30,000 | 19,000 | 4,000 | 2,000 |
| D Reid: Head of Environment & Place | 12,509 | 19,719 | 46,000 | 69,000 | 45,000 | 69,000 |
| S Clark: Chief Officer Housing | 18,364 | 12,702 | 22,000 | 15,000 | - | - |
| G Murphy: Acting S.95 Officer | 11,328 | 6.575 | 46,000 | 72,000 | 3,000 | -1,000 |

The pension entitlements of those senior employees who left the employment of the Council during 2023/24 are as follows:

| | In-Year Pension Contributions | | Accrued Pension Benefits | | | |
|---|---|---|---|---|---|---|
| | For Year to 31 March 2023 | For Year to 31 March 2024 | As at 31 March 2024 | | Difference from 31 March 2023 | |
| | £ | £ | Pension £ | Lump Sum £ | Pension £ | Lump Sum £ |
| Kirsty Stanners: Chief Officer Finance | 9,516 | 14,504 | 24,000 | 17,000 | 3,000 | 1,000 |

**Pension Scheme Contribution Rates**

From 1 April 2009 a tiered pension contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. The respective tiers and contribution rates paid by pension scheme members towards their pensions are as follows:

| Whole time pay | Range 2022/23 | Rate 2022/23 | Range 2023/24 | Rate 2023/24 |
|---|---|---|---|---|
| On earnings up to and including | £23,000 | 5.5% | £27,000 | 5.5% |
| On earnings above | £23,001 and up to £28,100 | 7.25% | £27,001 and up to £33,000 | 7.25% |
| On earnings above | £28,101 and up to £38,600 | 8.5% | £33,001 and up to £45,300 | 8.5% |
| On earnings above | £38,601 and up to £51,400 | 9.5% | £45,301 and up to £60,400 | 9.5% |
| On earnings above | £51,401 | 12% | £60,401 | 12% |

If a person works part time, their contribution rate is determined by comparing their actual pensionable pay to the relevant range banding in the table above.

**Employees Earning Over £50,000**

The number of Stirling Council employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is shown in the following table.

| Remuneration band | 2022/23 Non Teaching Employees | 2022/23 Teaching & Education Employees | 2022/23 Total Employees | 2023/24 Non Teaching Employees | 2023/24 Teaching & Education Employees | 2023/24 Total Employees |
|---|---|---|---|---|---|---|
| £50,000 - £54,999 | 65 | 76 | **141** | 63 | 84 | **147** |
| £55,000 - £59,999 | 25 | 78 | **103** | 45 | 64 | **109** |
| £60,000 - £64,999 | 13 | 37 | **50** | 14 | 64 | **78** |
| £65,000 - £69,999 | 12 | 35 | **47** | 16 | 32 | **48** |
| £70,000 - £74,999 | 5 | 14 | **19** | 13 | 24 | **37** |
| £75,000 - £79,999 | 2 | 4 | **6** | 4 | 9 | **13** |
| £80,000 - £84,999 | 6 | 2 | **8** | 1 | 5 | **6** |
| £85,000 - £89,999 | - | 4 | **4** | 6 | 2 | **8** |
| £90,000 - £94,999 | 3 | 1 | **4** | 1 | 3 | **4** |
| £95,000 - £99,999 | 2 | - | **2** | 3 | 1 | **4** |
| £100,000 - £104,999 | - | - | **-** | 2 | - | **2** |
| £105,000 - £109,999 | - | - | **-** | 1 | - | **1** |
| £125,000 - £129,999 | 2 | - | **2** | - | - | **-** |
| £135,000 - £139,999 | - | - | - | 1 | - | **1** |
| **Total Employees** | **135** | **251** | **386** | **170** | **288** | **458** |

The increase in the number of Stirling Council employees falling into the greater than £50,000 remuneration bands for 2023/24 is due to pay award increases from 1 April 2023.

**Severance Costs**

Stirling Council terminated the contracts of a number of employees in 2022/23 and 2023/24 as part of a voluntary severance exercise. The following table details, by cost banding, the actual severance costs incurred by the Council, together with an actuarial estimation of future recurring severance costs that may potentially be incurred by Stirling Council up until the age at which the relevant employees are assumed to cease being members of the pension scheme.

Actual severance costs incurred by the Council in each year are allocated across the following four areas:

- Strain Costs, representing the amount which Stirling Council is required to pay to the pension fund because the employee has retired before the assumed retirement age and which would result in a shortfall in contributions up to the assumed retirement age.
- Compensatory Added Years (CAY) Lump Sum, representing the amount that Stirling Council pays to the individual in a one-off lump sum, according to the compensatory added years awarded.
- Redundancy Lump Sums, representing the amount that Stirling Council pays to the individual in a one-off lump sum, where the individual would normally not be entitled to draw pension benefits due to their age (under 50 years).
- Payments In-lieu of Notice, representing the amount that Stirling Council pays to an individual for a period of notice that the individual is not required to work.

In addition to actual severance costs incurred by the Council, the Accounting Code of Practice also requires disclosure of Capitalised Compensatory Added Years Liabilities. These liabilities represent an actuarial estimate of the discounted value of future recurring Compensatory Added Years payments that Stirling Council may be required to pay to the Pension Fund up until the age at which the former employee is assumed to cease being a member of the pension scheme. It should be stressed that these cost assumptions are based on average life expectancies and so may be subject to change based on actual circumstances impacting on individual pension members.

| | | Severance Costs 2023/24 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Cost Banding** | **No. of Employees** | **Strain Costs** | **CAY Lump Sums** | **Redundancy Lump Sums** | **Payments In-lieu of Notice** | **Subtotal: Actual Severance Costs Incurred** | **Estimated CAY Liabilities** | **Total Estimated Severance Costs** |
| | | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| £0 - £20,000 | 55 | 94 | - | 63 | 141 | **298** | 3 | **301** |
| £20,001 - £40,000 | 16 | 351 | 8 | 52 | 10 | **421** | 67 | **488** |
| £40,001 - £60,000 | 6 | 195 | 6 | 36 | 7 | **244** | 44 | **288** |
| £60,001 - £80,000 | 4 | 208 | 7 | - | - | **215** | 67 | **282** |
| £80,001 - £100,000 | 3 | 182 | 13 | - | - | **195** | 67 | **262** |
| £100,001 - £150,000 | 8 | 755 | 16 | - | - | **771** | 261 | **1,032** |
| £150,001 - £500,000 | 5 | 845 | 5 | - | - | **850** | 449 | **1,299** |
| **Totals 2023/24** | **97** | **2,631** | **55** | **151** | **158** | **2,994** | **958** | **3,952** |
| | | | | | | | | |
| | | **Comparative Severance Costs 2022/23** | | | | | | |
| **Cost Banding** | **No. of Employees** | **Strain Costs** | **CAY Lump Sums** | **Redundancy Lump Sums** | **Payments In-lieu of Notice** | **Subtotal: Actual Severance Costs Incurred** | **Estimated CAY Liabilities** | **Total Estimated Severance Costs** |
| | | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| £0 - £20,000 | 38 | 3 | 1 | 71 | 102 | **177** | 6 | **183** |
| £20,001 - £40,000 | 2 | - | - | 24 | 18 | **42** | - | **42** |
| £40,001 - £60,000 | 1 | - | - | 51 | - | **51** | - | **51** |
| £60,001 - £80,000 | 1 | - | - | 52 | 11 | **63** | - | **63** |
| **Totals 2022/23** | **42** | **3** | **1** | **198** | **131** | **333** | **6** | **339** |

**Clackmannanshire and Stirling Integration Joint Board**

Under Section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014, a Chief Officer for the IJB has to be appointed with the remuneration terms of the Chief Officer's employment being approved by the IJB.

A Black was employed as Chief Officer of the Clackmannanshire and Stirling Integration Joint Board (IJB) from 17 June 2019 to 4 December 2023. D Williams was employed as Interim Chief Officer from 5 December 2023. Stirling Council's share (30%) of the remuneration and pension entitlements of A Black and D Williams are outlined below:

| | **Total Remuneration** | | **In-Year Pension Contributions** | | **Accrued Pension Benefits** | | | |
|---|---|---|---|---|---|---|---|---|
| | **2022/23** | **2023/24** | **For Year to 31 March 2023** | **For Year to 31 March 2024** | **As at 31 March 2024** | | **Difference from 31 March 2023** | |
| | **£** | **£** | **£** | **£** | **Pension £** | **Lump Sum £** | **Pension £** | **Lump Sum £** |
| A Black (to 4 Dec 2023) | 32,407 | 22,637 | 6,773 | 4,672 | 11,050 | 28,935 | -2,227 | -3,351 |
| D Williams (from 5 Dec 2023) | n/a | 9,009 | n/a | 1,883 | 181 | - | 181 | - |

**Subsidiary Entities**

Stirling Council includes 6 subsidiary entities within its Group Accounts (excluding Common Good and Charitable Trusts). Of these, only Active Stirling Ltd, a charitable Leisure Trust, employs a senior employee (M Bunnell – Acting Chief Executive). None of the other 5 subsidiary entities employed a senior employee during 2022/23 or 2023/24. None of the 6 subsidiary entities paid remuneration to Councillors of Stirling Council in 2022/23 or 2023/24.

The remuneration and pension entitlements of M Bunnell and the previous Chief Executive A Bain are as follows:

| | **Total Remuneration** | | **In-Year Pension Contributions** | | **Accrued Pension Benefits** | | | |
|---|---|---|---|---|---|---|---|---|
| | **2022/23** | **2023/24** | **For Year to 31 March 2023** | **For Year to 31 March 2024** | **As at 31 March 2024** | | **Difference from 31 March 2023** | |
| | **£** | **£** | **£** | **£** | **Pension £** | **Lump Sum £** | **Pension £** | **Lump Sum £** |
| A Bain (to 31 July 2023) | 85,850 | 32,129 | 14,680 | 5,495 | 37,000 | 38,000 | - | 1,000 |
| M Bunnell (from 1 August 2023) | - | 50,000 | n/a | 8,550 | 20,000 | 3,000 | 5,000 | - |

**Trade Union Regulations**

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The data is required to be published on a website maintained by or on behalf of the employer before 31st July each year. The relevant information relating to 2023/24 can be found on the Council's website at the following link https://www.stirling.gov.uk/jobs-business-investment/jobs/hr-performance-reporting/ and is also shown below for information.

**Table 1: Stirling Council employees**

What was the total number of employees who were relevant union officials employed during the relevant period?

| **Central Function Employees** | | | **Education Function Employees** | |
|---|---|---|---|---|
| Number of employees who were relevant union officials during the relevant period | Full-time equivalent trade union employee number | | Number of employees who were relevant union officials during the relevant period | Full-time equivalent trade union employee number |
| 28 | 24.17 | | 15 | 13.20 |

**Table 2: Percentage of time spent on facility time**

How many employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

| **Central Function Employees** | | | **Education Function Employees** | |
|---|---|---|---|---|
| Percentage of time | Number of employees | | Percentage of time | Number of employees |
| 0% | 0 | | 0% | 0 |
| 1-50% | 27 | | 1-50% | 14 |
| 51-99% | 0 | | 51-99% | 0 |
| 100% | 1 | | 100% | 1 |

**Table 3: Percentage of pay bill spent on facility time**

What is the % of total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period?

| **Central Function Employees** | | | **Education Function Employees** | |
|---|---|---|---|---|
| Total cost of facility time | £80,459 | | Total cost of facility time | £70,498 |
| Total pay bill | £122,490,719 | | Total pay bill | £69,515,249 |
| % of total pay bill spent on facility time, *calculated as: (total cost of facility time / total pay bill) x 100* | 0.07% | | % of total pay bill spent on facility time, *calculated as: (total cost of facility time / total pay bill) x 100* | 0.10% |

**Table 4: Paid trade union activities**

How many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

| **Central Function Employees** | | | **Education Function Employees** | |
|---|---|---|---|---|
| Time spent on trade union activities as a % of total paid facility time hours, *calculated as: (totals hours spent on trade union activities by relevant union officials during the relevant period / total paid facility time hours) x 100* | 9.67% | | Time spent on trade union activities as a % of total paid facility time hours, *calculated as: (totals hours spent on trade union activities by relevant union officials during the relevant period / total paid facility time hours) x 100* | 8.69% |

Caroline Sinclair
Chief Executive

Cllr Chris Kane
Leader of the Council

# Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis the Movement in Reserves Statement. When income and expenses are material, the nature and amount is disclosed on the Comprehensive Income and Expenditure Statement and in notes to the accounts.

| Restated 2022/23 Gross Spend £000 | Restated 2022/23 Gross Income £000 | Restated 2022/23 Net Spend £000 | | Note | 2023/24 Gross Spend £000 | 2023/24 Gross Income £000 | 2023/24 Net Spend £000 |
|---|---|---|---|---|---|---|---|
| 462 | (29) | 433 | Chief Executive Office | | 430 | (91) | 338 |
| 430 | (26) | 404 | Executive Office and Communications | | 446 | (27) | 419 |
| 260 | (14) | 246 | Communities and Performance Management | | 199 | (17) | 182 |
| 8,603 | (4,854) | 3,749 | Housing | | 8,384 | (4,912) | 3,473 |
| 18,685 | (4,223) | 14,462 | People & Community Wellbeing | | 18,305 | (3,449) | 14,856 |
| 13,880 | (1,934) | 11,946 | Customer Service and Performance | | 13,695 | (1,642) | 12,053 |
| 15,790 | (2,738) | 13,052 | Children & Families | | 15,228 | (3,418) | 11,810 |
| 139,931 | (19,341) | 120,590 | Schools & Learning | | 157,604 | (16,593) | 141,011 |
| 8,129 | - | 8,129 | Balfron PFI & Schools PPP | | 9,066 | - | 9,066 |
| 36,076 | (4,454) | 31,622 | Environment and Place | | 35,239 | (4,993) | 30,246 |
| 20,650 | (3,175) | 17,475 | Infrastructure | | 22,540 | (3,885) | 18,655 |
| 15,500 | (5,037) | 10,463 | Economic Development, Planning & Climate Change | | 15,570 | (8,490) | 7,080 |
| 20,628 | (15,576) | 5,052 | Finance | | 19,716 | (15,216) | 4,500 |
| 3,911 | (734) | 3,177 | Governance | | 3,601 | (809) | 2,792 |
| 119,215 | (67,738) | 51,477 | Clackmannanshire/Stirling Integration Joint Board | | 122,413 | (71,067) | 51,346 |
| 1,006 | - | 1,006 | Central Scotland Valuation Joint Board | | 1,026 | - | 1,026 |
| 13,200 | (8,793) | 4,407 | Other Operating Income & Expenditure | | 8,455 | (1,991) | 6,464 |
| **436,356** | **(138,666)** | **297,690** | **Net Cost Of General Services** | | **451,917** | **(136,600)** | **315,317** |
| 23,938 | (23,559) | 379 | Deficit on Housing Revenue Account | HRA | 47,378 | (24,589) | 22,789 |
| **460,294** | **(162,225)** | **298,069** | **Net Cost of Services** | | **499,295** | **(161,189)** | **338,106** |
| - | (703) | (703) | (Gain)/Loss on the Disposal of Non-Current Assets | | 491 | - | 491 |
| 14,183 | - | 14,183 | Interest Payable and Similar Charges | | 17,101 | - | 17,101 |
| - | (825) | (825) | Interest Receivable and Similar Income | | - | (1,633) | (1,633) |
| 24,654 | - | 24,654 | Interest Expense on Pension Defined Benefit Obligation | 25 | 31,900 | - | 31,900 |
| - | (18,879) | (18,879) | Interest Income on Pension Scheme Assets | 25 | - | (32,451) | (32,451) |
| - | (53) | (53) | Gain on Investment Property Revaluations | | - | (3,531) | (3,531) |
| - | (279,801) | (279,801) | Taxation and Non-Specific Grant Income | 11 | - | (291,682) | (291,682) |
| **499,131** | **(462,486)** | **36,645** | **Deficit on Provision of Services** | | **548,787** | **(490,486)** | **58,301** |
| | | (51,559) | Surplus Arising on Revaluation of Non-Current Assets | 26 | | | (4,473) |
| | | (239,530) | Remeasurements of the net defined benefit liability | 25/26 | | | (31,846) |
| | | **(291,089)** | **Other Comprehensive Income and Expenditure** | | | | **(36,319)** |
| | | **(254,444)** | **Total Comprehensive Income and Expenditure** | | | | **21,982** |

# Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

| | Note | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Repairs and Renewals Fund £000 | Insurance Fund £000 | Capital Grants& Receipts Unapplied Account £000 | **Total Usable Reserves £000** | Unusable Reserves £000 | **Total Council Reserves £000** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance b/fwd at 1/4/2022** | | **(44,431)** | **(986)** | **(1,238)** | **(2,256)** | **(653)** | **(1,719)** | **(51,283)** | **(388,670)** | **(439,953)** |
| **Movement in Reserves 2022/23** | | | | | | | | | | |
| Deficit / (surplus) on provision of Services | CIES | 40,987 | (4,342) | - | - | - | - | **36,645** | - | **36,645** |
| Other Comprehensive Expenditure/(Income) | CIES | - | - | - | - | - | - | **-** | (291,089) | **(291,089)** |
| **Total Comprehensive Expenditure/Income** | | **40,987** | **(4,342)** | **-** | **-** | **-** | **-** | **36,645** | **(291,089)** | **(254,444)** |
| Adjustments to useable reserves permitted by accounting standards | | (7,813) | (3,000) | **-** | **-** | **-** | **-** | **(10,813)** | 10,813 | **-** |
| Adjustments between accounting basis & funding basis under regulations | 13 | (17,882) | 7,342 | (227) | - | - | 622 | **(10,145)** | 10,145 | **-** |
| Transfers to/from Other Statutory Reserves | | (719) | - | - | 418 | 301 | - | **-** | - | **-** |
| **Decrease/(Increase) in 2022/23** | | **14,573** | **-** | **(227)** | **418** | **301** | **622** | **15,687** | **(270,131)** | **(254,444)** |
| **Balance c/fwd at 31/3/2023** | | **(29,858)** | **(986)** | **(1,465)** | **(1,838)** | **(352)** | **(1,097)** | **(35,596)** | **(658,801)** | **(694,397)** |
| **Movement in Reserves 2023/24** | | | | | | | | | | |
| Deficit / (surplus) on provision of Services | CIES | 41,622 | 16,679 | - | - | - | - | **58,301** | - | **58,301** |
| Other Comprehensive Expenditure/(Income) | CIES | - | - | - | - | - | - | **-** | (36,319) | **(36,319)** |
| **Total Comprehensive Expenditure/Income** | | **41,622** | **16,679** | **-** | **-** | **-** | **-** | **58,301** | **(36,319)** | **21,982** |
| Adjustments to useable reserves permitted by accounting standards | | (13,794) | (974) | **-** | **-** | **-** | **-** | **(14,768)** | 14,768 | **-** |
| Adjustments between accounting basis & funding basis under regulations | 13 | (10,929) | (15,705) | 265 | - | - | 254 | **(26,115)** | 26,115 | **-** |
| Adjustments to the statutory repayment of debt for service concession arrangements | | (27,358) | - | - | - | - | - | **(27,358)** | 27,358 | **-** |
| Transfers to/from Other Statutory Reserves | | (284) | - | - | 147 | 137 | - | **-** | - | **-** |
| **Decrease/(Increase) in 2023/24** | | **(10,743)** | **-** | **265** | **147** | **137** | **254** | **(9,940)** | **31,922** | **21,982** |
| **Balance c/fwd at 31/3/2024** | | **(40,601)** | **(986)** | **(1,200)** | **(1,691)** | **(215)** | **(843)** | **(45,536)** | **(626,879)** | **(672,415)** |

# Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| **31 March 2023 £000** | | **Note** | **31 March 2024 £000** |
|---|---|---|---|
| 2,472 | Intangible Assets | 14 | 2,133 |
| 908,131 | Property, Plant & Equipment | 15 | 879,717 |
| 1,418 | Heritage Assets | 16 | 1,480 |
| 1,236 | Investment Property | 17 | 4,767 |
| 16,803 | Long Term Debtors | 20 | 17,803 |
| 10,446 | Long Term Asset (Pensions) | 25 | 45,178 |
| **940,506** | **Long Term Assets** | | **951,078** |
| 825 | Inventories | 4 | 781 |
| 22,218 | Short Term Debtors | 21 | 32,869 |
| 12,247 | Cash and Cash Equivalents | 22 | 8,434 |
| **35,290** | **Current Assets** | | **42,084** |
| (37,631) | Short Term Borrowing | 28,29 | (58,962) |
| (64,232) | Short Term Creditors | 23 | (65,137) |
| (1,380) | Short Term Provisions | 4 | (1,780) |
| **(103,243)** | **Current Liabilities** | | **(125,879)** |
| (129,552) | Long Term Borrowing | 28 | (147,454) |
| (44,439) | PFI & PPP Liabilities | 24 | (41,603) |
| (2,487) | Capital Grants Receipts in Advance | 4 | (4,191) |
| (1,678) | Revenue Grants Receipts in Advance | 4 | (1,620) |
| **(178,156)** | **Long Term Liabilities** | | **(194,868)** |
| **694,397** | **Net Assets** | MIRS | **672,415** |
| (658,801) | Unusable Reserves | 26 | (626,879) |
| (35,596) | Usable Reserves | MIRS | (45,536) |
| **(694,397)** | **Total Reserves** | | **(672,415)** |

The unaudited accounts were issued on 3 July 2024.

George Murphy
Finance Service Manager (Acting S95 Officer)

# Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

| 2022/23 £000 | | Note | 2023/24 £000 |
|---|---|---|---|
| **36,645** | **Net Deficit on the Provision of Services** | MIRS | **58,301** |
| | **Adjustment for Non-Cash Movements** | | |
| (37,930) | Depreciation and impairments | | (78,925) |
| (319) | Non current asset adjustments | | 2,698 |
| (24,197) | Retirement benefits | | 2,886 |
| 266 | Net movement in stock | | (45) |
| (615) | Net movement in debtors | | 7,922 |
| (2,776) | Net movement in creditors and provisions | | (117) |
| (1,801) | Other non-cash items | | (1,065) |
| **(67,372)** | | | **(66,646)** |
| | **Adjustments for Items Shown Within Investing and Financing Activities** | | |
| 1,075 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 13/14 | 342 |
| 27,308 | Capital grants and contributions applied to capital financing | 11 | 28,080 |
| (7,238) | Other payments for financing activities (net contribution to/from NDR Pool) | NDR | (333) |
| **21,145** | | | **28,089** |
| **(9,582)** | **Net Cash Inflows from Operating Activities *** | | **19,744** |
| 49,174 | Purchase of property, plant and equipment, investment property and intangible assets | | 45,161 |
| (1,075) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 13/14 | (342) |
| (28,003) | Capital grants, receipts and contributions applied to capital financing | | (25,884) |
| **20,096** | **Net Cash Outflows from Investing Activities** | | **18,935** |
| (41,115) | Cash receipts of short and long-term borrowing | | (103,334) |
| 18,399 | Cash repayments of short and long-term borrowing | | 65,402 |
| 2,552 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 24 | 2,733 |
| 7,238 | Other payments/receipts for financing activities (net contribution to/from NDR Pool) | NDR | 333 |
| **(12,926)** | **Net Cash (In)/Outflows from Financing Activities** | | **(34,866)** |
| **(2,412)** | **Net (Increase) / Decrease in Cash and Cash Equivalents** | | **3,813** |
| 9,835 | Cash and Cash Equivalents at the Beginning of the Reporting Period | | 12,247 |
| **12,247** | **Cash and Cash Equivalents at the End of the Reporting Period** | 22 | **8,434** |

* The cash flows from operating activities in 2023/24 include interest received of £0.407m (2022/23, £0.630m) and interest paid of £17.027m (2022/23, £14.142m).

# Notes to the Single Entity Financial Statements

## 1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis (EFA) is to demonstrate to council tax and rent payers how the funding available to the authority (government grants, rents, fees and charges, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices.

The EFA is structured in accordance with the Council's Management structure, whereby it shows how expenditure is allocated for decision making purposes between the authority's Services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2022/23 | | | | 2023/24 | | |
|---|---|---|---|---|---|---|
| **Net Expenditure Chargeable to General Fund and HRA Reserves £000** | **Adjustments between the Funding and Accounting Basis £000** | **Net Expenditure in the CIES £000** | | **Net Expenditure Chargeable to General Fund and HRA Reserves £000** | **Adjustments between the Funding and Accounting Basis £000** | **Net Expenditure in the CIES £000** |
| 383 | 50 | 433 | Chief Executive Office | 340 | (2) | 338 |
| 344 | 60 | 404 | Executive Office and Communications | 419 | - | 419 |
| 199 | 47 | 246 | Communities and Performance Management | 186 | (4) | 182 |
| 3,160 | 589 | 3,749 | Housing | 3,286 | 187 | 3,473 |
| 11,079 | 3,383 | 14,462 | People & Community Wellbeing | 11,493 | 3,363 | 14,856 |
| 9,067 | 2,879 | 11,946 | Customer Service and Performance | 10,311 | 1,742 | 12,053 |
| 11,517 | 1,535 | 13,052 | Children & Families | 11,814 | (4) | 11,810 |
| 104,661 | 15,929 | 120,590 | Schools & Learning | 111,245 | 29,766 | 141,011 |
| 8,129 | - | 8,129 | Balfron PFI & Schools PPP | 9,066 | - | 9,066 |
| 21,048 | 10,574 | 31,622 | Environment and Place | 22,492 | 7,754 | 30,246 |
| 13,774 | 3,701 | 17,475 | Infrastructure | 15,298 | 3,357 | 18,655 |
| 7,195 | 3,268 | 10,463 | Economic Development, Planning & Climate Change | 4,942 | 2,138 | 7,080 |
| 4,335 | 717 | 5,052 | Finance | 4,528 | (28) | 4,500 |
| 27 | 550 | 3,177 | Governance | 2,815 | (23) | 2,792 |
| 48,654 | 2,823 | 51,477 | Clackmannanshire/Stirling Integration Joint Board | 50,961 | 385 | 51,346 |
| 1,006 | - | 1,006 | Central Scotland Valuation Joint Board | 1,026 | - | 1,026 |
| 6,229 | (1,822) | 4,407 | Other Operating Income & Expenditure | 6,865 | (401) | 6,464 |
| **253,407** | **44,283** | **297,690** | **Net Cost Of General Services** | **267,087** | **48,230** | **315,317** |
| (3,155) | 3,534 | 379 | Housing Revenue Account | (4,041) | 26,830 | 22,789 |
| **250,252** | **47,817** | **298,069** | **Net Cost of Services** | **263,046** | **75,060** | **338,106** |
| - | (703) | (703) | (Gain)/Loss on Disposal of Non-Current Assets | - | 491 | 491 |
| 17,639 | (3,456) | 14,183 | Interest Payable and Similar Charges | 18,803 | (1,702) | 17,101 |
| (825) | - | (825) | Interest Receivable and Similar Income | (1,633) | - | (1,633) |
| - | 24,654 | 24,654 | Interest Expense on Pension Liabilities | - | 31,900 | 31,900 |
| - | (18,879) | (18,879) | Interest Income on Pension Assets | - | (32,451) | (32,451) |
| - | (53) | (53) | Gain on Investment Property Revaluations | - | (3,531) | (3,531) |
| (252,493) | (27,308) | (279,801) | Taxation and Non-Specific Grant Income | (263,602) | (28,080) | (291,682) |
| **14,573** | **22,072** | **36,645** | **Deficit on Provision of Services** | **16,614** | **41,687** | **58,301** |
| (45,417) | | | Opening General Fund & HRA Reserves 1 April* | (58,202) | | |
| 15,292 | | | General Fund & HRA Deficit in Year* | 16,899 | | |
| (719) | | | Transfers to/from Other Statutory Reserves | (284) | | |
| **(30,844)** | | | **Closing General Fund & HRA Reserves 31 March*** | **(41,587)** | | |

* For a split of the reserves between the General Fund and HRA – see the Movement in Reserves Statement.

The following table provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Reserves to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

**2023/24: Adjustments between Funding and Accounting Basis**

| **Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts** | **Adjustments for Capital Purposes (Note 1)** | **Net Change for Pensions Adjustments (Note 2)** | **Other Differences (Note 3)** | **Total Adjustments** |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Chief Executive Office | - | (2) | - | (2) |
| Executive Office and Communications | - | (3) | 3 | 0 |
| Communities and Performance Management | - | (2) | (2) | (4) |
| Housing | 199 | (17) | 5 | 187 |
| People & Community Wellbeing | 3,426 | (75) | 12 | 3,363 |
| Customer Services & Performance | 1,798 | (56) | - | 1,742 |
| Children & Families | 59 | (70) | 7 | (4) |
| Schools & Learning | 30,153 | (1,128) | 741 | 29,766 |
| Environment and Place | 7,893 | (120) | (19) | 7,754 |
| Infrastructure | 3,386 | (40) | 11 | 3,357 |
| Economic Development, Planning & Climate Change | 2,037 | (52) | 153 | 2,138 |
| Finance | - | (35) | 7 | (28) |
| Governance | - | (27) | 4 | (23) |
| Clackmannanshire/Stirling Integration Joint board | 493 | (131) | 23 | 385 |
| Other Operating Income & Expenditure | (41) | (497) | 137 | (401) |
| **Net Cost of General Services** | **49,403** | **(2,255)** | **1,082** | **48,230** |
| **Housing Revenue Account** | 26,894 | (80) | 16 | 26,830 |
| **Net Cost of Services** | **76,297** | **(2,335)** | **1,098** | **75,060** |
| Other Income & Expenditure from the Expenditure and Funding Analysis | (32,743) | (551) | (79) | **(33,373)** |
| **Difference between General Fund Surplus/Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services** | **43,554** | **(2,886)** | **1,019** | **41,687** |

The reportable Service segments within "Net Cost of Services" shown above and also within the Comprehensive Income & Expenditure Account follow the Council's Management structure.

***Note 1: Adjustments for Capital Purposes***

Within 'Net Cost of Services', adjustments have been made to add in depreciation and asset impairments and to deduct capital financed from current revenue (CFCR). Within 'Other Income and Expenditure', adjustments have been made to:

- Add the net gain/loss on disposal of non current assets and the net gain/loss on revaluation of investment properties;
- Deduct the statutory charges for capital financing (principal repayments) as these are not chargeable under generally accepted accounting practices; and
- Add capital grants receivable in the year without conditions, or for which conditions were satisfied in the year.

***Note 2: Net Change for Pensions Adjustments***

Within 'Net Cost of Services', adjustments have been made to remove the actual employer pension contributions made by the authority as allowed by statute and to replace these with actuarial estimates of current service costs and past service costs in accordance with IAS19 Employee Benefits. Within 'Other Income and Expenditure', adjustments have been made to include the net interest on the defined benefit liability chargeable to the Comprehensive Income and Expenditure Statement in accordance with IAS19 Employee Benefits.

***Note 3: Other Differences***

Within 'Net Cost of Services', adjustments have been made to remove transfers to or from earmarked reserves, i.e. holiday pay, insurance fund, repairs and renewal fund. Within 'Other Income and Expenditure', adjustments have been made to recognise the impact on the General Fund from timing differences relating to premiums and discounts.

**2022/23: Comparative Adjustments between Funding and Accounting Basis**

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Restated Adjustments for Capital Purposes | Net Change for Pensions Adjustments (Note 2) | Other Differences (Note 3) | Restated Total Adjustments |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Chief Executive Office | - | 49 | 1 | 50 |
| Executive Office and Communications | - | 61 | (1) | 60 |
| Communities and Performance Management | - | 44 | 3 | 47 |
| Housing | 231 | 352 | 6 | 589 |
| People & Community Wellbeing | 1,802 | 1,564 | 17 | 3,383 |
| Customer Service and Performance | 1,638 | 1,220 | 21 | 2,879 |
| Children & Families | 41 | 1,482 | 12 | 1,535 |
| Schools & Learning | 11,851 | 5,846 | (1,768) | 15,929 |
| Environment and Place | 7,929 | 2,588 | 57 | 10,574 |
| Infrastructure | 2,875 | 819 | 7 | 3,701 |
| City Region Deal | 1,761 | 1,076 | 431 | 3,268 |
| Economic Development, Planning & Climate Change | - | 703 | 14 | 717 |
| Finance | - | 542 | 8 | 550 |
| Governance | 141 | 2,660 | 22 | 2,823 |
| Clackmannanshire/Stirling Integration Joint board | 7,929 | 2,588 | 57 | 10,574 |
| Other Operating Income & Expenditure | 177 | (2,300) | 301 | (1,822) |
| **Net Cost of General Services** | **28,446** | **16,706** | **(869)** | **44,283** |
| Housing Revenue Account | 1,803 | 1,716 | 15 | 3,534 |
| **Net Cost of Services** | **30,249** | **18,422** | **(854)** | **47,817** |
| Other Income & Expenditure from the Expenditure and Funding Analysis | (31,440) | 5,775 | (80) | **(25,745)** |
| **Difference between General Fund Surplus/Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services** | **(1,191)** | **24,197** | **(934)** | **22,072** |

## 2. Expenditure and Income Analysis By Nature

The Council's expenditure and income for 2023/24 can be analysed as follows:

| 2022/23 £'000 | | 2023/24 £'000 |
|---|---|---|
| | **Expenditure** | |
| 192,565 | Employee Benefit Expenses | 206,677 |
| 235,520 | Other Service Expenses | 209,610 |
| 37,930 | Depreciation, Amortisation & Impairment | 78,925 |
| 14,142 | Interest Payable & Similar Charges | 17,027 |
| (703) | (Gain)/Loss on Disposal of Assets | 491 |
| **479,454** | **Total Expenditure** | **512,730** |
| | **Income** | |
| (162,183) | Fees, Charges & Other Service Income | (161,114) |
| (825) | Interest & Investment Income | (1,633) |
| (91,053) | Income from Council Tax & Non Domestic Rates | (105,215) |
| (188,748) | Government Grants & Contributions | (186,467) |
| **(442,809)** | **Total Income** | **(454,429)** |
| **36,645** | **Deficit on Provision of Services** | **58,301** |

## 3. Reconciliation of Comprehensive Income & Expenditure Statement Deficit to Revenue Budget Deficit

The *Deficit on Provision of Services* position presented in the Comprehensive Income & Expenditure Statement (CIES) reports the Council's financial performance for the year in accordance with the requirements of the Local Authority Accounts (Scotland) Regulations 2014 and Section 12 of the Local Government in Scotland Act 2003. These requirements include accounting for various statutory adjustments and earmarked reserve movements that don't feature in Revenue Budget outturn position statements reported to Committee.

The following table provides a reconciliation between the *Deficit on Provision of Services* position presented in the Comprehensive Income & Expenditure Statement and the Budget Outturn deficit as reported to Committee (see Management Commentary pages 16 and 17).

| | £'000 | £'000 |
|---|---|---|
| **Deficit on Provision of Services (per CIES)** | | **58,301** |
| Add Housing Revenue Account (HRA) Surplus | | (16,679) |
| **Deficit on Provision of General Fund Services** | | **41,622** |
| | | |
| **Remove statutory adjustments that don't feature in revenue budget outturn:** | | |
| Depreciation of non-current assets | (35,931) | |
| Impairment of non-current assets | (14,617) | |
| Net gain/loss on disposal of non-current assets | (496) | |
| Revenue expenditure funded from capital (REFCUS) | (231) | |
| Amortisation of premiums & discounts | 80 | |
| Movement in the market value of Investment Properties | 3,531 | |
| Statutory provision for the financing of capital investment | 1,623 | |
| Capital expenditure charged to the General Fund | 1,376 | |
| Capital grants and contributions applied to capital financing | 17,836 | |
| Pension costs adjustments | 2,903 | |
| Employees' holiday pay accrual | (797) | |
| Transfers to/from other statutory reserves | (284) | |
| | | (25,007) |
| **Movement in General Fund Balance (per Movement in Reserves Statement)** | | **16,615** |
| | | |
| **Adjust for Earmarked Reserves Movements:** | | |
| Service Concession balances movements | (9,397) | |
| To meet Service policy objectives and service delivery initiatives | (2,542) | |
| To meet Transformational initiatives | (585) | |
| To meet Covid-19 pressures | (3,093) | |
| Schools Devolved Budget Management movements | (309) | |
| Repurposed Earmarked Balances movements | (2,299) | |
| | | (18,225) |
| **Revenue Budget Surplus for 2023/24 (reported to Committee)** | | **(1,610)** |

## 4. General Accounting Policies (where there is no accompanying note)

**General Principles**

The Statement of Accounts summarises Stirling Council's transactions for the 2023/24 financial year and its position as at 31 March 2024. Stirling Council is required to prepare an annual Statement of Accounts in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 also requires the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (The Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government in Scotland Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

**Accounting Concepts and Principles**

The accounting concepts followed in the application of accounting policies are:

- Accruals - income and expenditure is recognised in the period in which it is incurred or earned, with sums due to or from the Council during the year being included, whether or not the cash has actually been received or paid in the year.
- Going concern - this assumes that Stirling Council will continue in existence for the foreseeable future.

The accounting concepts are supported by qualitative characteristics prescribed by the International Accounting Standards Board's Conceptual Framework for Financial Reporting:

- Two fundamental characteristics (relevance and faithful representation, of which faithful representation has three characteristics - completeness, neutrality and freedom from error); and
- Four enhancement characteristics, which complement the fundamental characteristics (comparable, verifiable, timely and understandable).

**Prior Period Adjustments, Changes In Accounting Policies, Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

In the event of any material errors being discovered in prior period figures, these will be corrected retrospectively by amending opening balances and comparative amounts for the prior year.

**Revenue Recognition**

Revenue from the sale of goods is recognised when Stirling Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Revenue from the provision of services is recognised when Stirling Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Revenue from Council Tax and Non Domestic Rates is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to Stirling Council and the amount of revenue can be measured reliably. Revenue is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

**Surplus Assets**

Assets that are not being used to deliver services, but which do not meet the criteria to be classified as Investment Properties or Assets Held for Sale, i.e. Surplus assets, are measured at fair value (at highest and best use) based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

**Inventories**

Inventories are generally included in the Balance Sheet at the lower of cost and net realisable value. Certain inventories have been valued at latest invoice price. The difference between the policy adopted for inventories and that required by the Accounting Code of Practice is not considered material. The carrying value of inventories as at 31 March 2024 is £0.781m (31 March 2023, £0.825m).

**Assets Held for Sale**

At the Balance Sheet date, when it is probable that the carrying amount of an asset will be recovered through a sale transaction, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. The carrying value of assets held for sale as at 31 March 2024 is £nil (31 March 2023, £nil).

**Provisions**

Provisions are made where an event has taken place that gives Stirling Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that Stirling Council becomes aware of the obligation, based on the best estimate of the likely settlement, however the timing of such settlements is uncertain. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and appropriate adjustments made to the level of provision. Stirling Council has made provision in relation to the self-funded elements of Property, Liability and Motor insurance claims

which remain unsettled as at 31 March 2024:

| | 2023/24 £000 |
|---|---|
| Insurance Provision at 31/03/23 | 1,380 |
| Increase for 23/24 | 400 |
| **Insurance Provision at 31/03/24** | **1,780** |

**Revenue & Capital Grants Received in Advance**

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as grants received in advance:

- The carrying value of revenue grants received in advance as at 31 March 2024 is £1.620m (31 March 2023, £1.678m).
- The carrying value of capital grants received in advance as at 31 March 2024 is £4.191m (31 March 2023, £2.487m).

## 5. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code requires the disclosure of information relating to the impact of accounting changes that will be required by new accounting standards due to be adopted in future years. This applies to the adoption of the following new or amended standards within the 2023/24 Code:

- Amendments to IAS1 Disclosure of Accounting Policies. Applicable for periods beginning on or after 1 January 2023.
- Amendments to IAS 8: Definition of Accounting Estimates. Applicable for periods beginning on or after 1 January 2023.
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. Applicable for periods beginning on or after 1 January 2023.
- Amendments to IFRS 3: Updating a Reference to the Conceptual Framework. Applicable for periods beginning on or after 1 January 2023.

The Council does not expect that the adoption of the Standards listed above will have a material impact on the financial statements in future periods.

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by the Local Government Accounting Code from 1 April 2024. It is the Council's intention to implement IFRS 16 on 1 April 2024. Due to the need to reassess lease calculations, together with uncertainty around expected future leasing activity, a quantification of the expected impact of applying the standard in 2024/25 is currently impracticable.

## 6. Critical Judgements in Applying Accounting Policies

In applying accounting policies, Stirling Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

**Fair Value Measurements**

In measuring fair value, Stirling Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within a fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset of liability.

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the Council will ensure it identifies the most appropriate valuation techniques to determine fair value

We have considered our exposure to possible losses and made provision where it is probable that an outflow of resources will be required and can be measured reliably. Where it has not been possible to measure the obligation or it is not probable in our opinion that a transfer of economic benefits will be required, contingent liabilities have been disclosed in Note 8.

**Schools PFI and PPP Arrangements**

The Council has entered into one Private Finance Initiative (PFI) and one Public Private Partnership (PPP) contract for the provision of educational buildings, their maintenance and related facilities. The Council has considered the tests under

IFRIC12 and concluded these are service concession arrangements. We are deemed to control the services provided under PFI/PPP and also to control the residual value of the schools at the end of the agreement. The accounting policies for PFI/PPP have been applied to these arrangements and the assets under the contracts (valued at net book value of £173.415m at 31 March 2024) are recognised as Property, Plant & Equipment (PPE) on the Council's Balance Sheet.

## 7. Future Assumptions and Estimation Uncertainties

The disclosure requirements for sources of estimation uncertainty apply to a limited set of matters. They relate to assumptions and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

These Accounts contain estimated figures that are based on assumptions about the future. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**Property, Plant and Equipment (PPE)**

PPE assets are depreciated over useful lives that are dependent on the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may require us to review current spending levels on asset repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful lives of assets reduce then depreciation increases and the carrying amount falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by c. £5m for each year that useful lives were reduced by one year. (See note 14 for carrying values of PPE assets).

**Fair Value Measurements**

Assets held at fair value are revalued on a five year rolling basis by a professionally qualified Royal Institution of Chartered Surveyors (RICS) valuer. In addition to full valuations of property, plant and equipment on a rolling basis over a five year period, the Council assesses all assets to ensure there are no material changes that should drive an earlier valuation, to ensure that, in line with the CIPFA code, assets are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

**Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on assets. Falkirk Pension Fund has engaged consulting actuaries (Hymans Robertson) to provide expert advice about the assumptions to be applied. The effects on the net pension liability of changes in assumptions can be measured, for example, a 0.1% decrease in the real discount rate would result in an increase in the pension liability of 2% or £12.369m (see note 24). However, the assumptions interact in complex ways. The valuation of pension fund assets and liabilities at 31 March 2024 is £741.705m and £696.527m respectively.

**Debtor Provisions**

Stirling Council has made provision of £17.363m in relation to outstanding debtor balances (note 21). Based on current collection rates the provision is deemed sufficient to cover all liabilities that may arise in the future. However, in the current economic climate (Cost of Living Crisis) it is not certain that such provisions will continue to be sufficient. If debtor collection rates were to deteriorate, consideration would need to be given to further reviewing the criteria for calculating provisions and the provision levels held. Debts are written off during the year in line with the debt write off policy and the authorisation process as set out in the Council's Financial Regulations.

**Insurance Provision**

Stirling Council has made provision of £1.780m in relation to the self-funded elements of Property, Liability and Motor claims which remain unsettled as at 31 March 2024 (£1.380m, 31 March 2023). Although the current provision is deemed sufficient to cover known liabilities that may arise in the foreseeable future, it is not certain as to the potential extent of future claims that may be received by Stirling Council. Any increase in potential claims over and above the £1.780m provision will have a direct impact on the net cost of services within the Comprehensive Income & Expenditure Statement.

**Economic Influences**

High inflation rates and the ongoing war in Ukraine continue to have a significant impact on the local and national economy, particularly on supply chain costs across all sectors including energy, fuel, food and construction. This is anticipated to continue in the short to medium term future affecting the cost of Council service provision and completion of capital programme works, as well as increase the demand for welfare services within our communities. As always, the Council will continue to monitor the ongoing economic position and will manage and plan accordingly through ongoing review of available funding and reserves.

## 8. Contingent Liabilities

**Guarantor Arrangements**

Stirling Council acts as guarantor in respect of Stirling Technology Project Ltd.'s obligations under its bank loan

agreement. At 31 March 2024 the sum guaranteed was £0.054m (31 March 2023, £0.266m).

Active Stirling Ltd, a subsidiary of Stirling Council, has not accounted for its pension costs under Financial Reporting Standard 17 (FRS17) given the pension guarantee provided by Stirling Council - refer to Group Accounts statements and notes for fuller explanation.

Stirling Council continues to act as a guarantor in respect of Thinkwhere Ltd pension liabilities. At each three yearly valuation, the actuary will assess the funding position of Thinkwhere (noting that they exited the Fund in August 2021) and will compare Thinkwhere's share of Fund assets with its liabilities. Any deficit or surplus will be shared 50/50 between Falkirk and Stirling Council. Following the most recent triennial valuation as at 31 March 2023, the pension surplus amounted to £2.1m to be split in funding terms between both Councils. The next triennial valuation is due on 31 March 2026.

## 9. Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. There are two types of events:

- Adjusting events - those that provide evidence of conditions that existed at the end of the reporting period and the Statements are adjusted to reflect such events.
- Non-adjusting events - those that are indicative of conditions that arose after the reporting period and the Statements are not adjusted. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the event and its estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

## 10. External Audit Costs

The anticipated audit fee for 2023/24 is to be confirmed in respect of external audit services carried out by the appointed auditor (£0.289m, 2022/23). The auditor did not undertake any non-audit work in 2023/24 or 2022/23.

## 11. Grants and Taxation Income

Whether paid on account, by instalments or in arrears, government grants, third party contributions and donations are recognised as due to Stirling Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments and the grants or contributions will be received. Amounts recognised as due to Stirling Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

Stirling Council credited the following grants, contributions and taxation income to the Comprehensive Income and Expenditure Statement:

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| **Credited to Services** | | |
| Housing Benefit (Rent Allowance & Rent Rebate) Subsidy | (14,198) | (13,703) |
| Other Grants, Reimbursements & Contributions (Government) | (21,071) | (21,025) |
| Other Grants, Reimbursements & Contributions (Non-Government) | (10,223) | (8,389) |
| Housing Benefit/Council Tax Benefit Admin Grant | (239) | (250) |
| **Total** | **(45,731)** | **(43,367)** |
| | | |
| Council Tax/Community Charge | (55,111) | (59,579) |
| General Government Grant | (161,440) | (158,387) |
| Non Domestic Rate Redistribution | (35,942) | (45,636) |
| Capital Grants and Contributions | (27,308) | (28,080) |
| **Total** | **(279,801)** | **(291,682)** |

## 12. General Fund Reserves

This note shows General Fund Reserves split between earmarked, service concession and uncommitted reserves.

| | Balance at 1 April 2023 £000 | Use of Reserves 2023/24 £000 | New Reserves 2023/24 £000 | Balance at 31 March 2024 £000 |
|---|---|---|---|---|
| Budget Repurposed Reserves | (5,350) | 2,299 | - | (3,051) |
| Car Parking Trading Account | - | - | (328) | (328) |
| Chief Executive Office Initiatives | (75) | - | (75) | (150) |
| Children & Families Initiatives | (881) | 190 | (370) | (1,061) |
| City Region Deal | (65) | 56 | - | (9) |
| Corporate Systems Developments | (152) | 152 | - | 0 |
| Council Tax Discount on 2nd Homes | (318) | 206 | - | (112) |
| Covid Active Stirling Recovery | (628) | 528 | (4) | (104) |
| Covid-19 Additional Education Monies | (67) | 67 | - | 0 |
| Covid-19 Community justice | (3) | 3 | - | 0 |
| Covid-19 Pandemic Recovery | (4,435) | 3,093 | - | (1,342) |
| Covid-19 Tackling Financial Insecurity | (34) | 34 | - | 0 |
| Customer Services & Performance Initiatives | (25) | 9 | - | (16) |
| Deposit - Earlsburn Windfarm | (327) | - | (17) | (344) |
| Economic Development & Culture Initiatives | (1,089) | 524 | (78) | (643) |
| Environment and Place Initiatives | (329) | 102 | (574) | (801) |
| Future Stirling Elections | (131) | - | (104) | (235) |
| Homeless Prevention | (181) | 181 | - | 0 |
| Housing Initiatives | (95) | - | (48) | (143) |
| Infrastructure Initiatives | (257) | 197 | (22) | (82) |
| PB Pilot Year Funding (Revenue) | (132) | 132 | - | 0 |
| People & Community Wellbeing Initiatives | (1,147) | 554 | (1,056) | (1,649) |
| Scheme of Devolved Budget Management within Education | (641) | 316 | (7) | (332) |
| Schools and Learning Initiatives | (3,297) | 1,754 | (202) | (1,745) |
| SDA Dividend | (1,500) | 1,500 | - | 0 |
| Service Concession Statutory Adj | - | - | (897) | (897) |
| Stirling Business Investment Fund | (44) | - | - | (44) |
| Strategic Housing Account | (1,246) | - | (113) | (1,359) |
| Transformation Fund Balances | (1,240) | 585 | - | (655) |
| Treasury Management Balances | (487) | 241 | - | (246) |
| **Earmarked Reserves** | **(24,176)** | **12,723** | **(3,895)** | **(15,348)** |
| Service Concession Reserves | - | 9,397 | (27,358) | (17,961) |
| Uncommitted Reserves | (5,682) | - | (1,610) | (7,292) |
| **Total General Fund Reserves** | **(29,858)** | **22,120** | **(32,863)** | **(40,601)** |

## 13. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by Stirling Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

| **Adjustments made in 2023/24** | **Note** | **General Fund Balance £000** | **Housing Revenue Account £000** | **Capital Receipts Reserve £000** | **Capital Grants & Receipts Unapplied £000** | **Unusable Reserves Movement £000** |
|---|---|---|---|---|---|---|
| PPE non-current assets written off on disposal or sale | 15 | (1,268) | (239) | - | - | 1,507 |
| PPE depreciation written off on disposal or sale | 15 | 482 | 197 | - | - | (679) |
| Sale proceeds from disposal of non-current assets | | 294 | 48 | (342) | - | - |
| Capital expenditure met from Capital Receipts Reserve | 19 | - | - | 602 | - | |
| Contribution from Capital Receipts Reserve towards administrative costs of non-current asset disposals | | (4) | (1) | 5 | - | - |
| **Net (gain) / loss on disposal of non-current assets** | | **(496)** | **5** | **265** | **-** | **226** |
| **Capital grants & contributions applied to capital financing** | 19 | **17,836** | **10,243** | **-** | **-** | **(28,079)** |
| **Amortisation of intangible assets** | | **(818)** | **(3)** | **-** | **-** | **821** |
| Non-current asset revaluation decreases to CIES | 15 | (17,090) | (20,567) | - | - | 37,657 |
| Reversal of non-current asset revaluation decreases to CIES | 15 | 2,473 | 247 | - | - | (2,720) |
| Non-current asset depreciation charged to CIES | 15 | (21,319) | (7,080) | - | - | 28,399 |
| **Depreciation and impairment of non-current assets** | | **(35,936)** | **(27,400)** | **-** | **-** | **63,336** |
| **Movement in the market value of investment properties** | CIES | **3,531** | **-** | **-** | **-** | **(3,531)** |
| **Reversal of items relating to retirement benefits debited or credited to the 'Surplus or Deficit on the Provision of Services' in the CIES** | 25,26 | **(20,823)** | **(1,773)** | **-** | **-** | **22,596** |
| **Employer's pensions contributions and direct payments to pensioners payable in the year** | 25 | **23,726** | **1,756** | **-** | **-** | **(25,482)** |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 19,26 | - | - | - | 840 | (840) |
| New Capital Grants Unapplied | 16,26 | - | - | - | (586) | 586 |
| **Application of grants to capital financing from the Capital Grants Unapplied Account** | | - | **-** | **-** | **254** | **(254)** |
| **Statutory provision for the financing of capital investment** | 19,26 | **1,623** | **872** | **-** | **-** | **(2,495)** |
| **Capital expenditure charged to the General Fund & HRA** | 19,26 | **1,376** | **611** | **-** | **-** | **(1,987)** |
| **Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements** | 26 | **80** | **-** | **-** | **-** | **(80)** |
| **Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)** | 26 | **(797)** | **(16)** | **-** | **-** | **813** |
| **Revenue expenditure funded from capital (REFCUS)** | | **(231)** | **-** | **-** | **-** | **231** |
| **Total Adjustments 2023/24** | | **(10,929)** | **(15,705)** | **265** | **254** | **26,115** |

| **Adjustments made in 2022/23** | **Note** | **General Fund Balance £000** | **Housing Revenue Account £000** | **Capital Receipts Reserve £000** | **Capital Grants & Receipts Unapplied £000** | **Unusable Reserves Movement £000** |
|---|---|---|---|---|---|---|
| PPE non-current assets written off on disposal or sale | 15 | (1,708) | (81) | - | - | 1,789 |
| PPE depreciation written off on disposal or sale | 15 | 1,338 | 81 | - | - | (1,419) |
| Intangible Assets written off on disposal or sale | | (9) | - | - | - | 9 |
| Intangible Assets depreciation written off on disposal or sale | | 9 | - | - | - | (9) |
| Sale proceeds from disposal of non-current assets | | 1,048 | 27 | (1,075) | - | - |
| Capital expenditure met from Capital Receipts Reserve | 19 | - | - | 846 | - | (846) |
| Contribution from Capital Receipts Reserve towards administrative costs of non-current asset disposals | | (2) | - | 2 | - | - |
| **Net (gain) / loss on disposal of non-current assets** | | **676** | **27** | **(227)** | **-** | **(476)** |
| **Capital grants & contributions applied to capital financing** | 19 | **18,995** | **8,313** | **-** | **-** | **(27,308)** |
| **Amortisation of intangible assets** | | **(790)** | **(8)** | **-** | **-** | **798** |
| Non-current asset revaluation decreases to CIES | 15 | (1,710) | (2,684) | - | - | 4,394 |
| Reversal of non-current asset revaluation decreases to CIES | 15 | 1,974 | 1,517 | - | - | (3,491) |
| Non-current asset depreciation charged to CIES | 15 | (21,784) | (3,633) | - | - | 25,417 |
| **Depreciation and impairment of non-current assets** | | **(21,520)** | **(4,800)** | **-** | **-** | **26,320** |
| **Movement in the market value of investment properties** | CIES | **53** | **-** | **-** | **-** | **(53)** |
| **Reversal of items relating to retirement benefits debited or credited to the 'Surplus or Deficit on the Provision of Services' in the CIES** | 25,26 | **(43,028)** | **(3,730)** | **-** | **-** | **46,758** |
| **Employer's pensions contributions and direct payments to pensioners payable in the year** | 25 | **21,011** | **1,550** | **-** | **-** | **(22,561)** |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 19,26 | - | - | - | 1,544 | (1,544) |
| New Capital Grants Unapplied | 16,26 | - | - | - | (922) | 922 |
| **Application of grants to capital financing from the Capital Grants Unapplied Account** | | - | **-** | **-** | **622** | **(622)** |
| **Statutory provision for the financing of capital investment** | 19,26 | **3,376** | **753** | **-** | **-** | **(4,129)** |
| **Capital expenditure charged to the General Fund & HRA** | 19,26 | **1,677** | **5,252** | **-** | **-** | **(6,929)** |
| **Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements** | 26 | **80** | **-** | **-** | **-** | **(80)** |
| **Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)** | 26 | **1,588** | **(15)** | **-** | **-** | **(1,573)** |
| **Total Adjustments 2022/23** | | **(17,882)** | **7,342** | **(227)** | **622** | **10,145** |

## 14. Intangible Assets

Expenditure on intangible assets that do not have physical substance but are controlled by Stirling Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council, normally 5-10 years.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Customer Service & Performance | 740 | 756 |
| Environment & Place | 10 | 23 |
| Housing Revenue Account | 8 | 3 |
| Schools & Learning | 39 | 39 |
| **Total** | **797** | **821** |

The carrying value of intangible assets as at 31 March 2024 is as follows:

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| **Balance at start of year** | | |
| Gross carrying amount | 4,898 | 5,049 |
| Accumulated amortisation | (1,788) | (2,576) |
| **Net Book Value at 1 April** | **3,110** | **(2,473)** |
| Additions | 159 | 481 |
| Derecognition | (9) | - |
| Amortisation - derecognition | 9 | - |
| Amortisation | (797) | (821) |
| **Net Book Value at 31 March** | **2,472** | **2,133** |
| Comprising: | | |
| Gross carrying amount | 5,048 | 5,530 |
| Accumulated amortisation | (2,576) | (3,397) |

## 15. Property, Plant & Equipment

Property, Plant and Equipment assets are those that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and which are expected to be used during more than one financial year.

**Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to Stirling Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

**Measurement**

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cashflows of the authority).

Property, plant and equipment assets are carried in the Balance Sheet using the following measurement bases:

- Council Dwellings - Existing use value for social housing (EUV-SH)
- School buildings – Current value, but because of their specialist nature, are measured at depreciated replacement cost based on modern equivalent asset which is used as an estimate of current value.
- Infrastructure, Community Assets and Assets Under Construction - Depreciated historical cost
- Surplus assets - Fair value at highest and best use
- All other assets - if no active market exists for the asset or the asset is specialised, measure at depreciated replacement cost. If an active market exists for the asset, measure at existing use value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

**Revaluation**

The Council's annual rolling programme for the revaluation of property, plant and equipment, ensures all such assets required to be measured at fair value are re-valued at least every five years. Traditionally each year the land and

buildings of a different class were revalued within this rolling programme approach, but it is recognised that this can lead to significant movements in value between valuations of some classes of assets over the years. The Council is transitioning to undertaken a different approach to its asset valuations, with a view to undertaking the revaluation of a percentage of each class of asset each year, rather than undertaking a different asset category each year, in line with Audit Scotland guidance.

For 2023/24, valuations were undertaken by internal and external valuers. Valuations of land and building were carried out in accordance with the methodologies and bases for estimated set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a Service.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

In addition to full valuations of property, plant and equipment on a rolling basis over a five year period, the council assesses all assets to ensure there are no material changes that should drive an earlier valuation, to ensure that, in line with the CIPFA code, assets are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

For 2023/24, this assessment resulted in earlier, desktop, valuations for various asset classes to reflect estimated material movements in current value, at 31 March 2024, since the last formal revaluations:

- Desktop valuation by internal valuer within a range of asset classes, where assets normally valued on a depreciated replacement cost basis, to reflect the increased inflationary values using relevant BCIS (Building Cost Information Service) Indices. Where a material change was assessed the relevant BCIS indices were applied to all assets within the relevant asset class to extrapolate an updated building valuation. Land values were assumed to remain constant. Asset classes included: cultural assets, hostels, community centres and libraries. (Fair Value Hierarchy – Level 2: significant observable input).

Full external valuations were undertaken by external valuers for the HRA Council Dwellings, Nurseries, Primary Schools, Secondary Schools and Raploch Community Campus. These asset classes had been subject to a desktop valuation in the prior two financial years and given their significant values, were prioritised for full valuation in 2023/24.

Surplus assets and assets held for sale are measured at fair value based on the market value approach using current market conditions and recent sales prices and other relevant information for comparable assets within the Stirling area. (Fair Value Hierarchy – Level 2: significant observable inputs).

The net book value of assets is:

| | Council Dwellings £000 | Other Land & Buildings £000 | Surplus Assets £000 | Vehicles, Plant & Equipment £000 | Community Assets £000 | Assets Under Construction £000 | Infrastructure Assets £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| Carried at historic cost | - | 9,076 | - | 36,102 | 6,633 | 12,629 | 139,938 | **204,378** |
| Current value as at: | | | | | | | | |
| 31 March 2024 | 213,012 | 380,535 | 5,552 | - | - | - | - | **599,099** |
| 31 March 2023 | - | 10,065 | - | - | - | - | - | **10,065** |
| 31 March 2022 | - | 42,433 | - | - | - | - | - | **42,433** |
| 31 March 2021 | - | 21,780 | - | - | - | - | - | **21,780** |
| 31 March 2020 | - | 1,962 | - | - | - | - | - | **1,962** |
| **Total** | **213,012** | **465,851** | **5,552** | **36,102** | **6,633** | **12,629** | **139,938** | **879,717** |

**Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets), Investment Properties and assets not yet available for use (Assets under Construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the Stirling Council Valuer.
- Vehicles, plant and equipment – straight-line allocation over the useful life of each assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure - straight-line allocation over 30-50 years depending on the type of infrastructure asset (e.g. road, bridge etc.).

Services are charged with depreciation, where appropriate, for the use of assets no matter how they are financed. Depreciation on Stirling Council's non-operational assets is not charged to Service revenue accounts. It is however

reflected in the Comprehensive Income and Expenditure Statement through Other Operating Income and Expenditure.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

**Component Accounting**

Where a significant component part of an item of Property, Plant & Equipment (PPE) is expected to wear out more quickly than the overall asset, it is depreciated over a shorter period of time and any subsequent expenditure on restoring or replacing the component is capitalised (with any carrying amount of the replaced component being written off to the Comprehensive Income and Expenditure Statement). It should be noted that council dwellings, other land and buildings and surplus assets are considered for componentisation with no de-minimis thresholds set by Stirling Council.

**Disposals**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

All amounts received for a disposal are categorised as capital receipts and require to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce Stirling Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

**Movements in Property, Plant and Equipment**

The movements in Property, Plant and Equipment during 2023/24 are as follows:

| **Movements 2023/24** | **Council Dwellings £000** | **Other Land & Buildings £000** | **Vehicles, Plant & Equipment £000** | **Community Assets £000** | **Surplus Assets £000** | **Assets Under Construction £000** | **Total £000** |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | |
| At 1 April 2023 | **208,766** | **508,044** | **58,803** | **11,297** | **7,399** | **17,050** | **811,359** |
| Additions | 11,704 | 8,138 | 4,895 | 748 | - | 8,277 | **33,762** |
| Disposals | - | (184) | (572) | - | (35) | - | **(791)** |
| Derecognition | - | (716) | - | - | | - | **(716)** |
| Revaluations: | | | | | | | |
| To Revaluation Reserve | 4,011 | (26,269) | - | - | (293) | - | **(22,551)** |
| To Provision of Services | (20,177) | (15,570) | - | - | (1,455) | - | **(37,202)** |
| Asset Reclassifications | 8,708 | 4,022 | - | - | (63) | (12,697) | **(30)** |
| **At 31 March 2024** | **213,012** | **477,465** | **63,126** | **12,045** | **5,553** | **12,630** | **783,831** |
| **Accumulated Depreciation and Impairment** | | | | | | | |
| At 1 April 2023 | **0** | **(10,688)** | **(22,153)** | **(4,861)** | **0** | **0** | **(37,702)** |
| Depreciation charge | (5,348) | (24,940) | (5,402) | (550) | (17) | - | **(36,257)** |
| Disposals | - | 10 | 531 | - | - | - | **541** |
| Derecognition | - | 137 | - | - | - | - | **137** |
| Depreciation written out: | | | | | | | |
| To Revaluation Reserve | 5,250 | 21,704 | - | - | 9 | - | **26,963** |
| To Provision of Services | 98 | 2,160 | - | - | 8 | - | **2,266** |
| Asset Reclassifications | - | - | - | - | - | - | **0** |
| **At 31 March 2024** | **0** | **(11,617)** | **(27,024)** | **(5,411)** | **0** | **0** | **(44,052)** |
| **Net Book Value:** | | | | | | | |
| **At 31 March 2024** | **213,012** | **465,848** | **36,102** | **6,634** | **5,553** | **12,629** | **739,779** |
| **At 31 March 2023** | **208,766** | **497,356** | **36,650** | **6,436** | **7,399** | **17,050** | **773,657** |

| **Movements 2022/23** | **Council Dwellings £000** | **Other Land & Buildings £000** | **Vehicles, Plant & Equipment £000** | **Community Assets £000** | **Surplus Assets £000** | **Assets Under Construction £000** | **Total £000** |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | |
| At 1 April 2022 | **190,039** | **484,286** | **55,559** | **10,756** | **7,168** | **14,997** | **762,805** |
| Additions | 16,232 | 3,777 | 4,567 | 529 | | 8,556 | **33,661** |
| Disposals | (47) | (376) | (230) | - | | - | **(653)** |
| Derecognition | - | - | (1,136) | - | | - | **(1,136)** |
| Revaluations: | | | | | | | |
| To Revaluation Reserve | - | 17,782 | - | 7 | (22) | - | **17,767** |
| To Provision of Services | (1,879) | 518 | - | 5 | 22 | - | **(1,334)** |
| Asset Reclassifications | 4,421 | 2.057 | 43 | - | 231 | (6,503) | **249** |
| **At 31 March 2023** | **208,766** | **508,044** | **58,803** | **11,297** | **7,399** | **17,050** | **811,359** |
| **Accumulated Depreciation and Impairment** | | | | | | | |
| At 1 April 2022 | **0** | **(21,357)** | **(18,494)** | **(4,344)** | **0** | **0** | **(44,195)** |
| Depreciation charge | (4,464) | (19,579) | (5,025) | (517) | (169) | - | **(29,754)** |
| Disposals | 47 | 6 | 230 | - | - | - | **283** |
| Derecognition | - | - | 1,136 | - | - | - | **1,136** |
| Depreciation written out: | | | | | | | |
| To Revaluation Reserve | 4,417 | 30,242 | - | - | 169 | - | **34,828** |
| To Provision of Services | - | - | - | - | - | - | **0** |
| Asset Reclassifications | - | - | - | - | - | - | **0** |
| **At 31 March 2023** | **0** | **(10,688)** | **(22,153)** | **(4,861)** | **0** | **0** | **(37,702)** |
| **Net Book Value:** | | | | | | | |
| **At 31 March 2023** | **208,766** | **497,356** | **36,650** | **6,436** | **7,399** | **17,050** | **773,657** |
| **At 31 March 2022** | **190,039** | **462,929** | **37,065** | **6,412** | **7,168** | **14,997** | **718,610** |

**Infrastructure Assets**

In line with the Local Government Finance Circular 09/2022: Statutory Over-ride – Accounting for Infrastructure Assets, the Council has opted to apply both statutory over-rides.

Statutory Override 1: This permits that, for accounting periods commencing from 1 April 2021 to 31 March 2024, the Council is not required to report the gross cost and accumulated depreciation for infrastructure assets.

Statutory Override 2: This requires that, for the periods from 1 April 2010 to 31 March 2021, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is a nil amount, and no subsequent adjustment shall be made to the carrying amount of the asset with respect to that part. This is required on the basis that parts of infrastructure assets are rarely replaced before the part has been fully consumed and should therefore, in most cases, be fully depreciated at the date of replacement.

| | **2022/23 £000** | **2023/24 £000** |
|---|---|---|
| **Infrastructure Assets – net book value at 1 April** | **128,833** | **134,474** |
| Additions | 12,591 | 12,346 |
| Depreciation charge | (6,475) | (6,912) |
| Revaluations & Reclassifications | (475) | 30 |
| **Infrastructure Assets – net book value at 31 March** | **134,474** | **139,938** |
| Other Property, Plant & Equipment Assets (from table above) | 773,657 | 739,779 |
| **Total Property, Plant & Equipment Assets (per Balance Sheet)** | **908,131** | **879,717** |

**PFI/PPP Assets**

The net book value of PFI/PPP assets included in Other Land & Buildings as at 31 March 2024 is £173.417m (31 March 2023, £184.023m).

**Capital Commitments**

During 2023/24, the Council entered into a number of contracts for the construction of Property, Plant & Equipment within its approved Capital Programme.

The General Services Capital Programme underspent by £15.732m. However, £11.828m of this amount was already anticipated early in the financial year and re-profiled into the 2024/25 Capital Programme approved on 29 February 2024. Recommendations for further carry forward were presented to Council on 30 May 2024 to enable existing 2023/24 commitments to be met. The most significant construction projects relate to multi-year school projects, the budget provision for which in the Council's capital programme (including approved slippage), at 31st March 2024, is:

| | 2024/25 £000 | Future Years £000 |
|---|---|---|
| Callander Primary School | 7,110 | 15,698 |
| Allan's Primary School | 111 | 1,265 |
| LDP - Cambusbarron Primary School | - | 5,000 |
| LDP - Cowie Primary School | - | 60 |
| LDP - Durieshill - Primary School Phase 1 | 386 | 19,389 |
| LDP - Drymen Primary School | 20 | 21 |
| LDP - South Stirling Gateway Primary School | 952 | 15,647 |
| Secondary School ASN Provision - City Centre Phase 1 - Bluebell House | 5,079 | 100 |
| Secondary School ASN Provision - City Centre Phase 2 - Bluebell House | 250 | 4,060 |
| Secondary School ASN Provision - Rural - Katrine House | 1,132 | 300 |
| | **15,040** | **61,540** |

The Housing Capital Programme overspent by £1.4789m, mainly in relation to New House Building / Purchases, Renewable Technologies and external works. Housing Services continue to progress with an ambitious programme of new council housing across the Stirling area with £10.240m earmarked to support this within the 2024/25 HRA Investment Programme. There are also continued planned renewals of internal and external components (bathrooms, central heating, kitchens, roofs & rendering and windows).

## 16. Heritage Assets

Stirling Council holds and conserves various heritage assets for future generations in support of the primary objective of increasing the knowledge, understanding and appreciation of the history of the area of Stirling.

Heritage assets are presented separately in the Balance Sheet from other Property, Plant and Equipment assets and are measured at either historic cost or fair value. Valuations may be made by any method that is appropriate and relevant, including valuations for insurance purposes. Where it is not practicable to obtain a fair value, heritage assets are measured at historical cost. Depreciation is not charged on heritage assets that have indefinite lives, but the carrying amount is reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. Any impairment is recognised and measured in accordance with Stirling Council's general policies on impairment.

| | Civic Regalia £000 | Historical Artefacts £000 | Furniture & Artwork £000 | Memorials £000 | Total Assets £000 |
|---|---|---|---|---|---|
| **Net carrying amount at 31 March 2023** | **19** | **1,129** | **214** | **56** | **1,418** |
| Revaluations | 21 | 12 | 29 | - | **62** |
| **Net carrying amount at 31 March 2024** | **40** | **1,141** | **243** | **56** | **1,480** |

Civic Regalia items comprise the Council Mace, Provost Chain, Provost Medal and four Bailie Chains. Historical Artefacts comprise the Wallace Sword and the Old Stirling High School Telescope. Furniture & Artwork comprise those items on display within Council offices. All have been included in the Balance Sheet at updated valuations which were carried out during 2023/24. In terms of Memorials, the Council considers that it is not practical to obtain a valuation at a cost commensurate with the benefits to users of the financial statements, and that reliable cost or valuation information cannot be obtained. These include the Wallace Monument, statues, monuments, war memorials, fountains and clock towers. These assets are recognised on the Balance Sheet at a nominal sum of £1 each plus any relevant expenditure incurred.

## 17. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Stirling Council currently has 2 investment properties: Stirling Highland Hotel and the Bio-Reliance Building at Stirling University. Rentals received in relation to investment properties are credited to the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance.

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Rental income from investment properties | (147) | (175) |
| **Net gain / (loss)** | **(147)** | **(175)** |

Investment properties are measured initially at cost and subsequently at fair value (highest and best use), based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation and/or disposals are posted to the Comprehensive Income and Expenditure Statement.

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Carrying value at 1 April | 1,183 | 1,236 |
| Net gains / losses from fair value revaluation | 53 | 3,531 |
| **Carrying value at 31 March** | **1,236** | **4,767** |

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account with sale proceeds being posted to Capital Receipts Reserve.

## 18. Impairments/Downward Revaluations

Assets subject to a reduction in value as a result of impairment and/or downward revaluation have been accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant Service line(s) in the Comprehensive Income and Expenditure Statement

Where a revaluation loss is reversed subsequently, the reversal is credited to the relevant Service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised. The following table outlines revaluation losses charged and revaluation reversals credited to the Surplus or Deficit on the Provision of Services.

| **Assets** | 2022/23 Losses £000 | 2022/23 Reversals £000 | 2022/23 Totals £000 | 2023/24 Losses £000 | 2023/24 Reversals £000 | 2023/24 Totals £000 |
|---|---|---|---|---|---|---|
| Car Parks | 160 | - | 160 | - | - | - |
| Community Facilities / Shops / Retail | 405 | (795) | (390) | 745 | (542) | 203 |
| Office Sites & Depots | - | (8) | (8) | - | - | - |
| Regeneration / Development Sites | 1,460 | (56) | 1,404 | 1,374 | (15) | 1,359 |
| Residential Accommodation | 2,369 | (1,461) | 908 | 20,079 | (247) | 19,832 |
| Schools / Educational Establishments | - | (1,170) | (1,170) | 15,459 | (1,916) | 13,542 |
| **Totals** | **4,394** | **(3,490)** | **904** | **37,657** | **(2,720)** | **34,937** |

The £20.079m loss on residential accommodation predominantly relates to HRA Council Dwellings. Whilst there was a net increase on revaluation of Council Dwellings, which allowed a reversal of previous impairments, the overall impact of the current year expenditure on the purchase/construction of new properties, the enhancement of existing properties and the full revaluation of Council Dwellings at Existing Use Value-Social Housing (EUV-SH) resulated in a reduction in the carrying value and a resultant revaluation loss to be charged to the Comprehensive Income and Expenditure Statement.

## 19. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by Stirling Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

| | | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|
| **Opening Capital Financing Requirement** | | **265,485** | **271,469** |
| **Capital Investment** | Property, Plant and Equipment | 46,252 | 46,108 |
| | Intangible Assets | 159 | 481 |
| | Revenue Expenditure Funded from Capital under Statute | 1,136 | 1,237 |
| | Long Term Debtor | 120 | - |
| **Sources of Finance** | Capital receipts | (846) | (602) |
| | Capital grants & contributions | (26,306) | (27,139) |
| | Capital grants (Revenue Expenditure Funded from Capital under Statute) | (1,136) | (1,237) |
| | Application of capital grants unapplied/capital grants received in advance | (1,653) | (963) |
| | Capital funded from current revenue | (6,929) | (1,987) |
| | Repayment of long term investment | (430) | - |
| | Repayment of long term debtor | (254) | (221) |
| | Repayment of PPP finance lease creditor | (2,552) | (2,733) |
| | Loans fund principal repayments | (1,577) | (1,859) |
| | Application of PPP retrospective flexibility | - | 27,358 |
| | Application of PPP in year flexibility | - | 2,097 |
| **Closing Capital Financing Requirement** | | **271,469** | **312,009** |
| | General Services | 191,053 | 223,803 |
| | HRA | 80,416 | 88,206 |
| | | **271,469** | **312,009** |

| **Explanation of movements during year** | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Increase in the underlying need to borrow (unsupported by government assistance) | (2,748) | (37,586) |
| (Decrease) in long-term (prudential) debtors | (684) | (221) |
| (Decrease) in PPP finance lease creditor | (2,552) | (2,733) |
| **Increase in Capital Financing Requirement** | **5,984** | **40,540** |

## 20. Long Term Debtors

The following table provides an analysis of long-term debtors balances payable to Stirling Council:

| | Balance 31 Mar 2023 £000 | New Debtors 2023/24 £000 | Repaid 2023/24 £000 | Balance 31 Mar 2024 £000 |
|---|---|---|---|---|
| Police Debt | 7,431 | - | (116) | 7,315 |
| House Loans | 356 | - | (31) | 325 |
| National Housing Trusts | 9,207 | - | (75) | 9,132 |
| Scottish Govt Grant (PEF) | - | 1,200 | - | 1,200 |
| **Total** | **16,994** | **1,200** | **(222)** | **17,972** |
| Amounts due within 12 months | (191) | | | (169) |
| **Total Long Term Debtor** | **16,803** | | | **17,803** |

## 21. Short Term Debtors

The following table provides an analysis of short-term debtors balances payable to Stirling Council:

| | 31 March 2023 £000 | 31 March 2024 £000 |
|---|---|---|
| Central Government Bodies | 3,647 | 9,078 |
| Other Local Authorities | 591 | 646 |
| NHS Bodies | 1,290 | 1,195 |
| Other Entities and Individuals | 16,690 | 21,950 |
| **Total** | **22,218** | **32,869** |

The above debtors figures represent the position after deducting the following bad debt provisions:

| | | |
|---|---|---|
| Council Tax | (6,774) | (6,774) |
| Council Tax Penalty Charges | (1,328) | (1,328) |
| Housing Rents | (1,550) | (1,725) |
| Sundry Debtors | (3,676) | (3,401) |
| Non Domestic Rates | (2,818) | (3,714) |
| Non Domestic Rates Penalty Charges | (320) | (421) |
| **Total** | **(16,466)** | **(17,363)** |

## 22. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in values. Cash and cash equivalents include bank overdrafts as they are part of day to day cash management, and are therefore netted of against other cash in line with the Accounting Code of Practice.

Cash and cash equivalents held as at 31 March are as follows:

| | **31 March 2023 £000** | **31 March 2024 £000** |
|---|---|---|
| Cash Held by Officers | 34 | 41 |
| Bank Current Accounts | 2,005 | (3,196) |
| Short Term Deposits | 10,208 | 11,589 |
| **Total Cash and Cash Equivalents** | **12,247** | **8,434** |

## 23. Short Term Creditors

The following table provides an analysis of short-term creditor balances payable by Stirling Council:

| | **31 March 2023 £000** | **31 March 2024 £000** |
|---|---|---|
| Central Government Bodies | (6,030) | (7,374) |
| Other Local Authorities | (552) | (3,035) |
| NHS Bodies | (4,576) | (5,957) |
| Other Entities and Individuals | (53,074) | (48,771) |
| **Total** | **(64,232)** | **(65,137)** |

## 24. Private Finance Initiatives (PFI) and Public Private Partnerships (PPP) Contracts

PFI/PPP contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI/PPP contractor. The appropriate treatment of PFI/PPP contracts is based on control of an asset, such as specifying services and the price paid for these services.

Stirling Council is deemed to control the services that are provided under its PFI/PPP schemes and as ownership of the Property, Plant and Equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. Assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant & Equipment owned by Stirling Council. A liability is also carried on the Balance Sheet representing payments due for the financing of these assets. The Unitary Charge paid to the PPP contractor is allocated between operating costs, finance lease principal and interest and any capitalised lifecycle costs.

**Balfron High School PFI Contract**

In March 2000, Stirling Council entered into a PFI contract for the replacement of Balfron High School. The new school became operational in August 2001. Stirling Council makes annual payments under the Balfron High School PFI agreement to Balfron School Services Ltd, a wholly owned subsidiary of Bell Rock Topco Ltd, who operate the school on behalf of the Council. The Council made net Unitary Charge payments of £4.30m in 2023/24 (2022/23, £3.90m). Stirling Council also receives £1.59m of annual support grant from the Scottish Government as part funding for the project.

**Stirling Schools PPP Contract**

On 21st April 2006, Stirling Council concluded the Stirling Schools PPP Project Agreement with Stirling Gateway, a consortium established for the purpose of carrying out a major rebuilding programme covering five secondary schools within the area and a new community campus at Raploch. Construction commenced in May 2006 and was completed by August 2008. Stirling Council makes annual payments under the Stirling Schools PPP agreement to Stirling Gateway Ltd who operate the PPP schools on behalf of the Council. Education Services made net Unitary Charge payments of £15.95m in 2023/24 (2022/23, £13.94m). Stirling Council also receives £4.4m of annual support grant from the Scottish Government as part funding for the project.

Ownership of all schools will pass to Stirling Council when the Balfron and Stirling Schools' contracts terminate in 2026 and 2039 respectively.

**Payments**

Stirling Council makes agreed Unitary Charge payments each year, which are increased by inflation and reduced if the contractor fails to meet availability and performance standards. Payments still to be made under the PFI/PPP contracts at 31 March 2024 (excluding availability/performance deductions) are as follows:

| | Balfron High School PFI | | | | | Stirling Schools PPP | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Service Charge £000 | Interest Charge £000 | Principal Charge £000 | Contingent Rentals £000 | Total £000 | Service Charge £000 | Interest Charge £000 | Principal Charge £000 | Contingent Rentals £000 | Total £000 |
| Payable in 2024/25** | 1,659 | 204 | 1,088 | 1,699 | **4,650** | 7,947 | 2,703 | 1,748 | 3,879 | **16,277** |
| Payable 2-5 years | 2,796 | 128 | 1,519 | 2,287 | **6,730** | 37,763 | 9,764 | 6,103 | 15,699 | **69,329** |
| Payable 6-10 years | - | - | - | - | **-** | 52,241 | 9,753 | 10,261 | 24,601 | **96,856** |
| Payable 11-15 years | - | - | - | - | **-** | 42,184 | 4,956 | 21,732 | 40,710 | **109,582** |
| Payable 16-20 years | - | - | - | - | **-** | 2,308 | 65 | 1,987 | 3,472 | **7,832** |
| **Total** | **4,455** | **332** | **2,607** | **3,986** | **11,380** | **142,443** | **27,241** | **41,831** | **88,361** | **299,876** |

The outstanding liability to the contractor for capital expenditure incurred is as follows:

| 2022/23 | | | | 2023/24 | | |
|---|---|---|---|---|---|---|
| Balfron PFI £000 | Schools PPP £000 | Total £000 | | Balfron PFI £000 | Schools PPP £000 | Total £000 |
| (4,141) | (45,583) | **(49,724)** | Balance Outstanding Start of Year | (3,557) | (43,615) | **(47,172)** |
| 584 | 1,968 | **2,552** | Payments During the Year | 949 | 1,784 | **2,733** |
| **(3,557)** | **(43,615)** | **(47,172)** | **Balance Outstanding at Year-end** | **(2,608)** | **(41,831)** | **(44,439)** |

The balance outstanding at year end of £44.439m is split within the Balance Sheet between Finance Lease Liability of £41.603m and Short Term Creditors of £2.836m (total principal charge payable in 2024/25 of £1.088m + £1.748m).

**Application of PPP Service Concession Arrangement Flexibilities**

The Scottish Government's 2022 Resource Spending Review contained details of a Service Concession Arrangement (SCA) flexibility that related to the Council's PPP schools. The flexibility permits councils to undertake internal accounting changes that extend the period over which the principal repayment of the PPP unitary charge can be made which results in a one-off credit to the General Fund and ongoing annual savings for a period of time. In the remaining years following the end of the SCAs, the rescheduled debt repayments continue until the debt liability has been extinguished.

The Statutory Regulation in relation to this matter, Local Government Finance Circular 10/2022 (FC 10/2022), was published in September 2022, and it permits the authority to apply a temporary flexibility for service concession arrangements entered prior to April 2022. The Circular sets out the accounting requirements and the options permitted for the recognition of repayments of the principal element of the lease component or the lease liability for the year and the temporary flexibility for SCAs entered prior to 1 April 2022.

In line with FC 10/2022, the Council applied the permitted SCA flexibility in financial year 2023/24 on the basis of a 50 year annuity term, being in line with the useful lives of the Council's PFI/PPP school estate. The annuity method best represented the consumption of the assets over their useful lives, being considered prudent, sustainable and affordable.

The calculation of the SCA repayment charges using the asset life annuity basis was compared to the current charges which were to be made over the contract period. By applying the flexibility, a one-off combined pre-2023/24 retrospective saving of £27.358m was achieved followed by further savings after reprofiling of payments, as detailed in the table below.

| PPP Debt Repayment | Current Repayment £000 | Revised Repayment £000 | (Reduction) / Cost £000 |
|---|---|---|---|
| Pre 2023/24 | 33,504 | 6,147 | (27,358) |
| Paid in 2023/24 | 2,733 | 636 | (2,097) |
| Payable in 2024/25 | 2,836 | 680 | (2,156) |
| Payable in 2-5 years | 7,625 | 3,233 | (4,393) |
| Payable in 6-10 years | 10,261 | 5,493 | (4,768) |
| Payable in 11-15 years | 21,732 | 7,724 | (14,009) |
| Payable in 16-20 years | 1,987 | 10,879 | 8,893 |
| Payable in 21-25 years | - | 15,353 | 15,353 |
| Payable in 26-30 years | - | 18,073 | 18,073 |
| Payable in 31-35 years | - | 12,461 | 12,461 |
| | **80,679** | **80,679** | **0** |

The statutory adjustment took effect from 1 April 2023, being the financial year in which the revised repayments were applied, and resulted in a debit to the Capital Adjustment account in 2023/24 with a corresponding credit in the Movement in Reserves Statement within the General Fund.

As outlined in the table above, further in-year annual reductions will be applied along similar lines as the retrospective adjustment until the end of the contract period for each of the two SCAs. Thereafter the revised charges will result in higher cost being charged to the General Fund than the current repayment profile until the end of the useful economic life of the assets.

It should be noted that the annual unitary charge will continue to be paid to the contractor over the contract period. The guidance applies to principal only, and not to interest, service charge costs or grant. These will continue to be accounted for over the contract period.

In addition to the one-off retrospective element, an in-year 2023/24 saving of £2.097m occurred in the scheduled debt repayments. This will be followed by further net savings in annual charges over the medium term, and then the continuation of the statutory charges after the SCA contracts have been repaid. Over the full asset life of the SCAs the total repayment for the debt liability remains the same.

In determining whether to apply the flexibility to the accounting policy for SCAs, the Council ensured it maintained a prudent approach with any changes being sustainable in terms of the Council's revenue budget, taking account of the funding needs of the Council now and in the future.

As noted in the table above, changing the repayments of the SCA debt liability produces significant savings in the medium-term. To achieve a prudent managed approach for the release of these savings and to align with its medium-term financial plan, the Council chose to budget for setting aside a proportion of the savings created from the statutory one-off adjustment into a "smoothing" earmarked reserve. This will provide the Council with the flexibility to release this in future years to mitigate the increasing statutory charge in the later years.

| | **£000** |
|---|---|
| Expected charge based on original payment profile | 2,733 |
| Revised charge based on applying permitted flexibility | 636 |
| Saving released to the General Fund | **(2,097)** |
| | |
| 2023/24 budget saving expected | (1,200) |
| Transfer to earmarked reserve to facilitate smoothing of future savings | (897) |
| | **(2,097)** |

## 25. Pension Costs

Stirling Council participates in two formal pension schemes: the Local Government Pension Scheme (LGPS) administered by Falkirk Council and the Teachers' Scheme administered by the Scottish Government. Both schemes provide defined benefits to members. However, the liabilities for the teachers' scheme cannot be identified specifically to Stirling Council, therefore the scheme is accounted for as if it were a defined contributions scheme - Stirling Council does not recognise assets or liabilities related to the Teachers' Scheme as the liability for payment of pensions rests ultimately with the Scottish Government.

**Teachers**

In 2023/24, Stirling Council paid £11.92m to the Teachers' Pension Scheme in respect of teachers' retirement benefits (2022/23, £11.30m), representing an employer contribution rate of 23%. Stirling Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' Scheme. In 2023/24 these amounted to £0.816m (2022/23, £0.789m). Accrued pension costs at 31 March 2024 amounted to £1.015m (31 March 2023, £1.554m).

**Local Government Pension Scheme (LGPS)**

In accordance with International Accounting Standard 19 (IAS19) Stirling Council is required to account for retirement benefits when it is committed to giving them, even if the giving will be many years into the future. This involves the recognition in the Balance Sheet of Stirling Council's share of the net pension asset or liability in the LGPS together with a pension reserve. The CIES also recognises changes during the year in the pension asset or liability. Scottish Government regulations require the General Fund to be charged with the amount payable to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards, In the MIRS this means that there are appropriations to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Stirling Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including Teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the LGPS.

The following elements of pension costs are charged to the CIES:

- Current Service Cost - the increase in the present value of liabilities expected to arise from employee service in the current period.
- Past Service Costs - the increase in liabilities arising from decisions to improve retirement benefits in the current period but which are related to employee service in prior periods.
- Interest Expense - the expected increase during the year in the present value of liabilities because the benefits are one year closer to settlement.
- Expected Return on Assets (including interest income) - a measure of the expected average rate of return on the investment assets held by the scheme in the year.

The following transactions have been made in the financial statements in accordance with IAS19:

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| **Comprehensive Income and Expenditure Statement (CIES)** | | |
| • Current Service Cost | 40,948 | 21,362 |
| • Past Service Costs (including Curtailments) | 35 | 1,785 |
| • Interest Expense - Defined Benefit Obligation | 24,654 | 31,900 |
| • Interest Income - Scheme Assets | (18,879) | (32,451) |
| **Total Net Charges to the Surplus or Deficit on the Provision of Services** | **46,758** | **22,596** |
| Remeasurement of the net defined benefit liability comprising: | | |
| • Return on Plan Assets (excluding the amount included in the net interest expense) | 12,761 | (24,252) |
| • Actuarial gains and losses arising on changes in demographic assumptions | (17,128) | - |
| • Actuarial gains and losses arising on changes in financial assumptions | (312,492) | (25,626) |
| • Actuarial gains and losses arising from other experience | 77,329 | 18,032 |
| **Total Other Post-Employment Benefits Charged to the CIES** | **(239,530)** | **(31,846)** |
| **Total Post-Employment Benefits Charged to the CIES** | **(192,772)** | **(9,250)** |
| **Movement in Reserves Statement** | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services | (46,758) | (22,596) |
| Employer's Contributions Payable to Falkirk Pension Fund | 22,561 | 25,482 |

**Reconciliation of the Movements in the Fair Value of Pension Fund Assets and Liabilities Shown in the Balance Sheet**

| | Liabilities | | | Assets | |
|---|---|---|---|---|---|
| | 2022/23 £000 | 2023/24 £000 | | 2022/23 £000 | 2023/24 £000 |
| **Opening Balance at 1 April** | **(901,827)** | **(670,943)** | **Opening Balance at 1 April** | **696,940** | **681,389** |
| Current Service Cost | (40,948) | (21,362) | Return on Assets | (12,761) | 24,252 |
| Interest Cost | (24,654) | (31,900) | Interest Income | 18,879 | 32,451 |
| Contributions by Participants | (5,237) | (5,551) | Contributions by Participants | 5,237 | 5,551 |
| Actuarial Gain/(Loss) | 279,568 | 7,594 | Actuarial Gain/(Loss) | (27,277) | - |
| Benefits Paid | 22,190 | 27,420 | Benefits Paid | (22,190) | (27,420) |
| Past Service/Curtailment Costs | (35) | (1,785) | Employer Contributions | 22,561 | 25,482 |
| **Closing Balance at 31 March** | **(670,943)** | **(696,527)** | **Closing Balance at 31 March** | **681,389** | **741,705** |

**Basis for Estimating Assets and Liabilities**

***Pension Liabilities***

Pension liabilities are discounted to their value at current prices using a discount rate based on the indicative rate of return on high quality corporate bonds. Pension assets and liabilities included in Stirling Council's Balance Sheet are as follows:

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Present Value of Pension Fund Liabilities* | (670,943) | (696,527) |
| Fair Value of Pension Fund Assets | 681,389 | 741,705 |
| **Net Pension Asset and Pension Reserve** | **10,446** | **45,178** |

*Unfunded liabilities included in the figure for present value of liabilities is £45.457m (2022/23, £48.397m).

Liabilities show the underlying commitments that Stirling Council has in the long run to pay post-employment (retirement) benefits. The total liability of £696.527m has a substantial impact on the net worth of Stirling Council as recorded in the Balance Sheet, resulting in a small positive overall balance of £45.178m. It should be noted that statutory arrangements for funding any overall deficit mean that the financial position of Stirling Council remains healthy.

Any deficit on the LGPS will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. The raising of finance to cover any discretionary benefits is only required when pensions are actually paid.

Stirling Council's share of the liabilities of the LGPS are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees. The LGPS liabilities have been assessed by Hymans Robertson, an independent firm of actuaries and the estimates are based on the latest full valuation of the Fund at 31 March 2023.

As at the date of the most recent full valuation, the duration of the Employer's funded obligations is 20 years. The other main assumptions used by the actuary are:

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| **Long-Term Expected Rate of Return on Fund Assets:** | | |
| Equity Investments, Property, Bonds & Cash | 4.75% | 4.80% |
| **Mortality Assumptions:** | | |
| Longevity at 65 for Current Pensioners - Male | 20.4 years | 20.4 years |
| Longevity at 65 for Current Pensioners - Female | 23.1 years | 23.2 years |
| Longevity at 65 for Future Pensioners - Male | 21.3 years | 20.9 years |
| Longevity at 65 for Future Pensioners - Female | 24.8 years | 24.8 years |
| **Other Assumptions:** | | |
| Rate of Inflation / Rate of Increase in Pensions | 2.95% | 2.80% |
| Rate of Increase in Salaries | 3.55% | 3.30% |
| Rate for Discounting Fund Liabilities | 4.75% | 4.80% |

LGPS liabilities are sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The methods and types of assumption used in preparing the sensitivity analysis below did not change from this used in the previous period.

| **Change in Assumptions at 31 March 2024** | **Approx. % Increase to Employer Liability** | **Approx. Monetary Amount (£000)** |
|---|---|---|
| 0.1% Decrease in Real Discount Rate | 2% | 12,369 |
| 1 year increase in member life expectancy | 4% | 27,861 |
| 0.1% Increase in the Salary Increase Rate | 0% | 677 |
| 0.1% Increase in the Pension Increase Rate (CPI) | 2% | 11,905 |

***Pension Assets***

Pension assets attributable to Stirling Council are included in the Balance Sheet at their fair value, principally the bid price for quoted securities and estimated fair value for unquoted securities.

The following table shows the split of pension fund asset investments:

| | **31 March 2023 (£'000)** | | | **31 March 2024 (£'000)** | | |
|---|---|---|---|---|---|---|
| | **Quoted Prices in Active Markets** | **Quoted Prices Not in Active Markets** | **Total Assets** | **Quoted Prices in Active Markets** | **Quoted Prices Not in Active Markets** | **Total Assets** |
| Consumer | 46,971 | - | **46,971** | 54,605 | - | **54,605** |
| Manufacturing | 55,146 | - | **55,146** | 60,264 | - | **60,264** |
| Energy and Utilities | 27,229 | - | **27,229** | 30,290 | - | **30,290** |
| Financial Institutions | 50,162 | - | **50,162** | 54,503 | - | **54,503** |
| Health & Care | 25,097 | - | **25,097** | 31,268 | - | **31,268** |
| Information Technology | 51,016 | - | **51,016** | 49,788 | - | **49,788** |
| Other | 5,903 | - | **5,903** | 5,845 | - | **5,845** |
| UK Govt Securities | 69,386 | - | **69,386** | 78,357 | - | **78,357** |
| Other Securities | 9,529 | - | **9,529** | 9,859 | - | **9,859** |
| Private Equity | - | 4,391 | **4,391** | - | 6,775 | **6,775** |
| UK Property | - | 38,863 | **38,863** | - | 40,676 | **40,676** |
| Overseas Property | - | 12 | **12** | - | 3 | **3** |
| Equities | 122,044 | - | **122,044** | 137,958 | - | **137,958** |
| Bonds | 32,238 | - | **32,238** | 33,742 | - | **33,742** |
| Infrastructure | - | 104,535 | **104,535** | - | 109,926 | **109,926** |
| Other | - | 16,785 | **16,785** | - | 17,140 | **17,140** |
| Cash & Cash Equivalents | 22,082 | - | **22,082** | 20,706 | - | **20,706** |
| **Total Assets** | **516,803** | **164,586** | **681,389** | **567,185** | **174,520** | **741,705** |

As can be seen from the table above, the Falkirk Pension Fund invests in a wide range of active markets. A large proportion of the assets are invested in equities (58.1%) and bonds (33.6%), together with property (5.5%) and cash (2.8%). The comparative year's figures are 57.0%, 34.1%, 5.7% and 3.2% respectively.

**Impact on the Authority's Cash Flow**

The objectives of the Falkirk Pension Fund are to keep employers' contributions at as constant a rate as possible. Following the most recent triennial valuation as at 31 March 2023, employer's contributions were agreed at 19.5% for 2024/25 and 2025/26, increasing to 20.0% for 2026/27. The next triennial valuation is due on 31 March 2026. Total contributions expected to be made by Stirling Council to Falkirk Pension Fund in the year to 31 March 2025 is £18.111m.

**Principal Risks to the Pension Scheme**

The principal risks to the Scheme are the longevity assumptions, statutory changes to the Scheme, changes to inflation, bond yields and the performance of the investments held by the Scheme. The long-term funding strategy and the employer's contribution rates are reviewed triennially and take into account these factors to mitigate the risks.

## 26. Unusable Reserves

| 31 March 2023 £000 | | 31 March 2024 £000 |
|---|---|---|
| (366,761) | Capital Adjustment Account | (311,322) |
| (292,019) | Revaluation Reserve | (281,537) |
| 1,957 | Financial Instruments Adjustment Account | 1,877 |
| 8,468 | Employee Statutory Adjustment Account | 9,281 |
| (10,446) | Pensions Reserve | (45,178) |
| **(658,801)** | **Total Unusable Reserves** | **(626,879)** |

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The following table shows the movement on the Capital Adjustment Account during the year:

| 2022/23 £000 | | 2023/24 £000 | 2023/24 £000 |
|---|---|---|---|
| **(354,339)** | **Balance at 1 April** | | **(366,761)** |
| | Adjustment to the statutory repayment of debt for service concession arrangements - permitted flexibility | | 27,358 |
| | **Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:** | | |
| 36,230 | • Charges for depreciation of non-current assets – PPE | 43,167 | |
| 4,394 | • Charges for revaluation decreases of non-current assets – PPE | 37,657 | |
| (3,491) | • Reversal of charges for revaluation decreases of non-current assets - PPE | (2,720) | |
| 798 | • Amortisation of intangible assets | 821 | |
| 1,789 | • PPE non-current assets written off on disposal or sale | 1,507 | |
| (1,419) | • PPE depreciation written off on disposal or sale | (679) | |
| 9 | • Intangible Assets written of on disposal or sale | - | |
| (9) | • Intangible Assets depreciation written off on disposal or sale | - | |
| **38,301** | | | **79,753** |
| (10,813) | Difference between fair value depreciation and historical cost depreciation | | (14,767) |
| (23) | Adjusting amounts to/(from) the Revaluation Reserve | | (188) |
| **27,465** | **Net written out amount of the cost of non-current assets consumed in the year** | | **92,156** |
| | **Capital financing applied in the year:** | | |
| (846) | • Use of the Capital Receipts Reserve to finance new capital expenditure | (602) | |
| (1,544) | • Application of grants to capital financing from Capital Grants Unapplied | (609) | |
| (27,308) | • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement | (28,079) | |
| 922 | • Capital grants and contributions moved to Capital Grants Unapplied | 586 | |
| (4,129) | • Statutory provision for the financing of capital investment charged against the General Fund and HRA Reserves | (2,495) | |
| (6,929) | • Capital expenditure charged against the General Fund and HRA Reserves | (1,987) | |
| **(39,834)** | | | **(33,186)** |
| (53) | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | (3,531) |
| **(366,761)** | **Balance at 31 March** | | **(311,322)** |

**Revaluation Reserve**

The Revaluation Reserve contains the unrealised gains made by Stirling Council arising from increases in the value of its Property, Plant and Equipment. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. The following table shows the movement on the Revaluation Reserve during the year:

| 2022/23 £000 | | 2023/24 £000 | 2023/24 £000 |
|---|---|---|---|
| **(251,296)** | **Balance at 1 April** | | **(292,019)** |
| (16,801) | Net revaluation (increases)/decreases - PPE Assets | 22,551 | |
| 94 | Net revaluation (increases)/decreases - Heritage Assets | (62) | |
| (34,852) | Depreciation written out to the Revaluation Reserve - PPE Assets | (26,962) | |
| **(51,559)** | **(Surplus)/Deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement** | | **(4,473)** |
| 10,813 | Difference between fair value depreciation and historical cost depreciation | | 14,767 |
| 23 | Amounts (to)/from Capital Adjustment Account | | 188 |
| **(292,019)** | **Balance at 31 March** | | **(281,537)** |

**Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments. Stirling Council uses the FIAA primarily to manage premiums paid on the early redemption of loans in line with the Treasury Management strategy. Over time the expense is posted to the General Fund balance in accordance with statutory arrangements to spread the burden on Council Tax. The following table shows the movement on the FIAA during the year:

| 2022/23 £000 | | 2023/24 £000 | 2023/24 £000 |
|---|---|---|---|
| **2,037** | **Balance at 1 April** | | **1,957** |
| (80) | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | (80) | |
| (80) | Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | | (80) |
| **1,957** | **Balance at 31 March** | | **1,877** |

**Employee Statutory Adjustment Account**

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 2022/23 £000 | | 2023/24 £000 | 2023/24 £000 |
|---|---|---|---|
| **10,041** | **Balance at 1 April** | | **8,468** |
| (10,041) | Settlement or cancellation of accrual made at the end of the preceding year | (8,468) | |
| 8,468 | Amounts accrued at the end of the current year | 9,281 | |
| (1,573) | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | | 813 |
| **8,468** | **Balance at 31 March** | | **9,281** |

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The debit balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources Stirling Council has set aside to meet them. The statutory provisions will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| **204,887** | **Balance at 1 April** | **(10,446)** |
| 12,761 | Return on Pension Assets | (24,252) |
| (17,128) | Actuarial (gains) / losses arising on changes in demographic assumptions | - |
| (312,492) | Actuarial (gains) / losses arising on changes in financial assumptions | (25,626) |
| 77,329 | Actuarial (gains) / losses arising from other experience | 18,032 |
| 46,758 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 22,596 |
| **(22,561)** | Employer's pensions contributions and direct payments to pensioners payable in the year | (25,482) |
| **(10,446)** | **Balance at 31 March** | **(45,178)** |

## 27. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of the ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, these elements are considered separately for classification. Assets acquired by Stirling Council under finance leases are shown in the Balance Sheet together with a liability to pay outstanding rentals. Rental payments are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease.

Rental payments made by Stirling Council under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease. Where Stirling Council grants an operating lease to a lessee over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement with credits being made on a straight-line basis over the life of the lease.

**Council as Lessee**

*Operating Leases* - Stirling Council has a number of operational lease arrangements in respect of property and vehicles. Minimum lease payments payable under non-cancellable leases in future years are detailed below.

| | 31 March 2023 £000 | 31 March 2024 £000 |
|---|---|---|
| Not later than one year | 755 | 762 |
| Later than one year and not later than five years | 2,186 | 1,785 |
| Later than five years | 4,407 | 4,440 |
| | **7,348** | **6,987** |

The expenditure charged to relevant Services in the Comprehensive Income and Expenditure Statement during 2023/24 in relation to these lease payments was £0.762m (2022/23, £0.774m).

*Finance Leases* - During 2023/24, finance lease payments of £2.733m were made in respect of the Balfron PFI and Schools PPP contracts (2022/23, £2.552m). There were no other finance lease payments.

**Council as Lessor**

*Operating Leases* - Stirling Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses
- For commercial purposes as a means of generating income

Minimum lease payments receivable under non-cancellable leases in future years are as follows:

| | 31 March 2023 £000 | 31 March 2024 £000 |
|---|---|---|
| Not later than one year | (1,962) | (2,136) |
| Later than one year and not later than five years | (5,198) | (4,698) |
| Later than five years | (21,435) | (17,588) |
| | **(28,595)** | **(24,422)** |

Income credited to relevant Services during 2023/24 in relation to these lease receipts was £2.192m (2022/23, £2.001m). There were no finance lease rentals receivable by Stirling Council in 2022/23 or 2023/24.

## 28. Financial Instruments

**Financial Guarantees**

Stirling Council is a signatory to the Local Government Pension Scheme admission agreement for Thinkwhere Ltd and Active Stirling Ltd. The agreements require Stirling Council to make good any pension under-funding position in the event of the companies being wound up.

In order to facilitate the sale of Thinkwhere, Falkirk and Stirling Councils agreed to continue to act as guarantors in respect of the Thinkwhere pension liabilities. This means that at each three yearly valuation, the actuary will assess the funding position of Thinkwhere (noting that they exited the Fund in August 2021) and will compare Thinkwhere's share of Fund assets with its liabilities. Any deficit or surplus will be shared 50/50 between Falkirk and Stirling Council. Following the most recent triennial valuation as at 31 March 2023, the pension surplus amounted to £2.1m to be split in funding terms between both Councils. The next triennial valuation is due on 31 March 2026.

Active Stirling Ltd has elected not to account for its pension costs under FRS17 given the pension guarantee provided by Stirling Council. Instead, the company accounts for its pension costs under the terms of a defined contribution scheme with pension contributions charged to profit/loss in the period to which they relate. The Group Accounts incorporate the Council's share of the company's pension fund asset (under IAS19) which amounts to £3.9m. Further information on this can be found at note 1 to the Group Accounts.

**Financial Assets & Liabilities**

Financial assets are now classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. Financial assets are classified at amortised cost on the basis that the Council's business model is to collect contractual cashflows and are solely principal and interest (SPPI). Financial assets measured at amortised cost are initially measured at fair value and then carried at amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most financial assets, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable in the loan agreement.

Financial liabilities are initially measured at fair value and then carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability multiplied by the effective interest rate for the instrument. For most of Stirling Council's borrowing, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued) interest, with interest charged to the CIES being the amount payable according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the CIES to the net charge against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The following categories of Financial Assets and Liabilities are carried in the Balance Sheet:

| 31 March 2023 | | | 31 March 2024 | |
|---|---|---|---|---|
| **Long Term** | **Current** | | **Long Term** | **Current** |
| **£000** | **£000** | | **£000** | **£000** |
| | | **Financial Assets carried at amortised cost** | | |
| - | 10,208 | Temporary Deposits | - | 11,589 |
| - | 5,094 | Debtors – carried at contract amount | - | 5,358 |
| - | **15,302** | | - | **16,947** |

| 31 March 2023 | | | 31 March 2024 | |
|---|---|---|---|---|
| **Long Term** | **Current** | | **Long Term** | **Current** |
| **£000** | **£000** | | **£000** | **£000** |
| | | **Financial Liabilities carried at amortised cost** | | |
| 129,551 | 37,631 | Borrowings | 147,454 | 58,962 |
| 44,439 | 2,733 | PFI/PPP Finance Lease Liabilities | 41,603 | 2,836 |
| - | 10,152 | Creditors – carried at contract amounts | - | 5,179 |
| - | 1,459 | Other temporary advances | - | 1,467 |
| **173,990** | **51,975** | | **189,057** | **68,444** |

**Expected Credit Loss Model**

The introduction of the Expected Credit Loss Model under IFRS 9 Financial Instruments requires financial assets to be reviewed for impairment losses to reflect the expectation that the future cashflows might not take place because the borrower could default on their obligations. The model also applies to lease receivables and contract assets. Credit risk plays a crucial part in assessing losses: where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis; where risk remains low or has not significantly increased, losses are assessed on the basis of a 12-month expected loss.

The financial assets carried at amortised cost above include trade receivables (debtors) held by the Council, the loss measurement for which is the simplified approach based on lifetime expected credit losses. The Council relies on past due information and calculates a bad debts provision based on trade receivables that are more than 30 days past due in order to provide for an estimate of exposure to default and non-collectability.

Other financial assets represents temporary deposits held with banks and the HM Treasury Debt Management Office. The Council has reviewed all other contractual cashflows and has determined that there is no significant increase in credit risk, expected loss or impairment. The Expected Credit Loss model calculation under IFSR 9 does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default.

The Council considers that due diligence is exercised through the compilation of the Investment Strategy in the Treasury Management Financial Strategy in which the Council sets its investment priorities as the security of capital, the liquidity of its investments and the minimisation of risk.

**Income, Expenses, Gains & Losses**

There were no gains or losses arising from financial instruments during the year. Income and expenses associated with financial instruments and included in the (Surplus)/Deficit on the Provision of Services are detailed below:

| **2022/23** | | **2023/24** |
|---|---|---|
| **(Surplus)/deficit on the provision of services £000** | | **(Surplus)/deficit on the provision of services £000** |
| | **Financial liabilities measured at amortised cost:** | |
| 6,979 | Interest & Expense | 8,688 |
| 7,163 | Schools PFI/PPP Interest Charges | 8,339 |
| **14,142** | **Interest Expense** | **17,027** |
| | **Financial assets measured at amortised cost:** | |
| (133) | Interest income | (862) |
| **(133)** | | **(862)** |

**Fair Value of Assets and Liabilities**

Except for financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised costs are carried on the Balance Sheet at amortised cost. The fair value of financial assets and liabilities is required to be disclosed to enable a comparison to the carrying amounts in the Balance Sheet. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, emphasising that fair value is a market-based measurement, not an authority specific measurement. Fair value does not need to be disclosed when the carrying amount is a reasonable approximation of fair value.

***Fair Value of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)***

Financial liabilities and financial assets represented by amortised cost are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2: inputs other than quoted prices that are observable for the financial asset/liability), using the following assumptions:

- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- Fair value disclosures are not required for short-term trade payables and receivables or where the instrument has a maturity of less than 12 months, as the carrying amount is a reasonable approximation fair value.
- For PWLB loans, fair value has been estimated at the cost of taking out a new loan at PWLB new loan (certainty) rates applicable to existing loans at the Balance Sheet date.
- For non-PWLB loans, fair values have been calculated using PWLB new market loan discount rates.
- For PFI/PPP Liabilities, PWLB Annuity Rates have been used as a proxy rate and fair values estimated using new borrowing (certainty rate) discount rates.
- No early repayment or impairment is recognised.

The fair value of financial liabilities are as follows:

| 31 March 2023 Carrying Amount £000 | 31 March 2023 Fair Value New Borrowing Rate £000 | | 31 March 2024 Carrying Amount £000 | 31 March 2024 Fair Value New Borrowing Rate £000 |
|---|---|---|---|---|
| (124,329) | (125,029) | PWLB Loans | (155,800) | (146,927) |
| (9,664) | (8,123) | Non-PWLB Loans | (9,545) | (8,477) |
| (33,190) | (33,190) | Temporary Borrowing | (41,071) | (41,071) |
| **(167,183)** | **(166,342)** | **Total Debt** | **(206,416)** | **(196,475)** |
| (47,172) | (55,280) | PFI/PPP Finance Lease Liability | (44,439) | (50,427) |
| **(214,355)** | **(221,622)** | **Total Financial Liabilities** | **(250,855)** | **(246,902)** |

The fair value of the liabilities is lower than the carrying amount because the borrowing portfolio includes a number of fixed rate loans where the interest rate is lower than the comparable loan interest rates at the Balance Sheet date.

The fair value of Public Works Loan Board (PWLB) loans of £146.927m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates, under a purely hypothetical situation.

Stirling Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. The fair value figure presented above for PWLB loans is based on new borrowing rates however, the Council cannot settle these loans at this amount as PWLB charge penalties for early repayment, based on a schedule of premature repayment rates. The fair value calculated on this basis results in the carrying amount of £155.800m being valued at £162.627m which represents the amount that would need to be paid to PWLB to settle these loans at 31 March 2024 i.e. a penalty charge for early redemption of £6.827m.

## 29. Nature and Extent of Risks Arising from Financial Instruments

Stirling Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk - the possibility that other parties might fail to pay amounts due to Stirling Council
- Re-financing risk - the possibility that Stirling Council might be required to renew a financial instrument on maturity on disadvantageous interest rates or terms.
- Liquidity risk - the possibility that Stirling Council might not have funds available to meet its commitments to make payments
- Market risk - the possibility that financial loss might arise for Stirling Council as a result of changes in such measures as interest rates and stock market movements.

Stirling Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under polices approved by Stirling Council in the annual Treasury Management Financial Strategy. Stirling Council provides written principles for overall risk management, as well as written policies covering specific areas, such are interest rate risk, credit risk and the investment of surplus cash. The Treasury Management Financial Strategy 2023/24 was approved on 2 March 2023 and is available on Stirling Council's website (Stirling Council Committee Papers for 2 March 2023).

**Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to Stirling Council's customers. This risk is minimised through the Treasury Management Financial Strategy (Annual Investment Strategy and Counterparty Policy) which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria and sets maximum monetary and time limits for deposits with financial institutions. For 2023/24, Stirling Council determined that until there was greater stability in the world economy, deposits would only be undertaken with UK financial institutions, with priority given to those with a significant level of government support.

Stirling Council's maximum exposure to credit risk in relation to its investments in financial institutions cannot be assessed generally as the risk of an institution failing to make interest payments or repay principal sums will be specific to each individual institution. A risk of irrecoverability applies to all of Stirling Council's deposits but there was no evidence at 31 March 2024 that this was likely to crystallise. Stirling Council's levels of deposits were held only with UK government backed institutions. At 31 March 2024, deposits of £11.580m held with the Debt Management Office and the Royal Bank of Scotland were classed as cash and cash equivalents, being invested only for operational cash flow purposes.

Stirling Council does not generally allow credit for its customers (sundry debtors), such that £3.916m of the £5.358m sundry debtor balance is considered, on a collective basis, as past its due date for payment. This amount can be analysed by age as follows:

| 31 March 2023 £000 | | 31 March 2024 £000 |
|---|---|---|
| 683 | Less than 30 days | 2,191 |
| 408 | 31 – 60 days | 388 |
| 85 | 61 – 90 days | 20 |
| 2,160 | More than 90 days | 1,317 |
| **3,336** | | **3,916** |

**Re-financing Risk**

The longer term risk to Stirling Council relates to managing the exposure to replacing financial instruments as they mature: there is a refinancing risk that Stirling Council will be bound to replenish a significant proportion of its debt at a time when market rates may be volatile, uncertain or unfavourable. This risk is addressed in the treasury management strategy and formulation of prudential indicators: the calculation of upper and lower limits regarding the maturity structure of borrowings is designed to avoid large concentrations of debt with the same maturity structure. The maturity profile of financial liabilities is regularly reviewed to identify opportunities to improve the profile through the restructure of existing debt or new borrowing. Stirling Council's debt portfolio is predominantly PWLB debt and the current practice of a separate schedule of early repayment rates presents a further element of refinancing risk as this will have an impact of the cost effectiveness of debt rescheduling.

The maturity analysis of financial liabilities (principal amounts including accrued interest) is as follows:

| 31 March 2023 £000 | | 31 March 2024 £000 | Maturing in Period | Maturity Limit |
|---|---|---|---|---|
| (37,631) | Less than one year | (58,962) | 29% | 40% |
| (4,201) | Between 1 and 2 years | (13,113) | 6% | 40% |
| (18,755) | Between 2 and 5 years | (13,528) | 6% | 40% |
| (6,768) | Between 5 and 10 years | (21,429) | 10% | 40% |
| (13,436) | Between 10 and 20 years | (13,705) | 7% | 45% |
| (1,484) | Between 20 and 30 years | (769) | 1% | 45% |
| (64,908) | Between 30 and 40 years | (69,908) | 34% | 60% |
| (20,000) | Between 40 and 50 years | (15,002) | 7% | 100% |
| **(167,183)** | | **(206,416)** | **100%** | |

All trade and other payables are due to be paid in less than one year and are not included in the above table. Temporary Borrowing of £40.0m is included in amounts maturing in less than one year (£33.0m as at 31 March 2023).

**Liquidity Risk**

Stirling Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, Stirling Council has ready access to borrowings from the money markets and the Public Works Loan Board. Stirling Council is also required to provide a balanced budget under the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

**Market Risk**

Stirling Council is exposed to interest rate movements on its borrowings and investments. As Stirling Council's debt portfolio predominantly comprises fixed rate debt, there is considerable certainty regarding the costs of financing such debt and the subsequent charge to the Comprehensive Income and Expenditure Statement (CIES). Movements in interest rates have a complex impact on Stirling Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue reserves)
- Investments at variable rates – the interest income credited to the CIES will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue reserves)

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

Stirling Council has a number of strategies for managing interest rate risk. The annual treasury management strategy draws together Stirling Council's prudential and treasury indicators and its expected treasury operations, including expectations of interest rate movements. Treasury Management staff monitor market and forecast interest rates during the year to adjust exposures appropriately.

At 31 March 2024, if interest rates had been 1% higher with all other variables held constant, the notional financial effect on the Surplus or Deficit on Provision of Services would have been a credit of £0.035m, of which £0.013m relates to HRA. The decrease in the fair value of fixed rate borrowing liabilities using new borrowing rates would be £17.501m. The impact of a 1% fall in interest rates would be the same values but with the movements being reversed.

## 30. Related Parties

Stirling Council is required to disclose material transactions with related parties, being bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure allows readers to assess the extent to which Stirling Council might have been constrained in its ability to operate independently, or might have secured the means to limit another party's ability to bargain freely with the Council.

**The Scottish Government**

The Scottish Government has significant influence over the general operations of Stirling Council, being responsible for providing the statutory framework within which the Council operates. The Scottish Government also provides the majority of Stirling Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (such as Council Tax bills and Housing Benefits). Grants received from the Scottish Government are set out in note 11.

**Officers and Elected Members**

There are no significant related party transactions with Officers of Stirling Council. Elected members of Stirling Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2023/24 is shown in the Remuneration Report. Each member's registered interests can be found at the following link by clicking on their photograph - https://my.stirling.gov.uk/councillors.

**Entities Controlled or Significantly Influenced by the Council**

Stirling Council has relationships with a number of Companies, Associations, Trusts, Joint Committees and Voluntary Organisations. All of these associations facilitate the discharge of Stirling Council's functions in terms of Section 69 of the Local Government (Scotland) Act 1973. Where Stirling Council has a controlling and/or significant influence over an entity, the entity is consolidated within the Council's Group Accounts. Further information relating to these entities is included in the notes to the Group Accounts.

There were no significant transactions with organisations associated with Board Members.

The following table shows significant transactions between Stirling Council and relevant associated entities.

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Contributions made to Clackmannanshire and Stirling Integration Joint Board | 48,852 | 49,430 |
| Commissioning income received from Clackmannanshire and Stirling Integration Joint Board | (48,652) | (51,679) |
| Requisition payment made to Central Scotland Valuation Joint Board | 1,006 | 1,026 |
| Dividend received from Stirling Development Agency Ltd | (1,500) | - |
| Payments to Active Stirling Ltd ** | 2,856 | 2,542 |

** Actual payments to Active Stirling Ltd in 2023/24 comprised core contractual fees of £0.739m, support for utilities costs of £0.390m, and additional financial support of £1.413m to help mitigate cost of living, staffing and other inflationary impacts suffered by the charitable trust.

# Housing Revenue Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

| 2022/23 | | 2023/24 |
|---|---|---|
| £'000 | | £'000 |
| | **Income** | |
| (20,537) | Dwelling Rents | (21,435) |
| (429) | Non-dwelling Rents | (519) |
| (2,536) | Other Income | (2,579) |
| **(23,502)** | **Total Income** | **(24,533)** |
| | **Expenditure** | |
| 10,003 | Repairs and Maintenance | 8,537 |
| 5,392 | Supervision and Management | 5,543 |
| 7,808 | Depreciation and Impairment of Non-Current Assets | 28,377 |
| 208 | Increase in the Allowance for Bad Debts/Debt Write-offs | 410 |
| 313 | Other Expenditure | 4,296 |
| **23,724** | **Total Expenditure** | **47,163** |
| **222** | **Net Expenditure on HRA Services Included in the Comprehensive Income and Expenditure Statement** | **22,630** |
| 157 | HRA Share of Corporate and Democratic Core | 159 |
| **379** | **Net cost of HRA Services** | **22,789** |
| | **HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement:** | |
| (27) | (Gain)/Loss on Sale of HRA Non-Current Assets | (5) |
| 3,219 | Interest Payable and Similar Charges | 4,107 |
| (8,313) | Capital Grants & Contributions Applied to Capital Financing | (10,243) |
| (64) | Interest and Investment Income | (66) |
| 3 | Pension Past Service Costs (including Curtailments) | 140 |
| 461 | Net Interest Cost/Income on Pension Liabilities/Assets | (43) |
| **(4,342)** | **(Surplus)/Deficit for the Year on HRA Services** | **16,679** |

**Movement on the Housing Revenue Account Statement**

| 2022/23 | | Notes | 2023/24 |
|---|---|---|---|
| £'000 | | | £'000 |
| (986) | Balance on the HRA at the End of the Previous Year | | (986) |
| (4,342) | (Surplus)/Deficit for the Year on HRA Income and Expenditure Statement | | 16,679 |
| 7,342 | Adjustments Between Accounting Basis and Funding Basis Under Statute | 1 | (15,705) |
| (3,000) | Adjustments to Useable Reserves Permitted by Accounting Standards | 2 | (974) |
| - | (Increase)/Decrease in Year on the HRA | | - |
| **(986)** | **Balance on the HRA at the End of the Current Year** | | **(986)** |

**Housing Revenue Account Disclosures**

**1. Adjustments between Accounting Basis and Funding Basis under Statute**

| **2022/23** | | **2023/24** |
|---|---|---|
| **£'000** | | **£'000** |
| 27 | Gain on Sale of HRA Non-current Assets | 5 |
| 8,313 | Capital Grants & Contributions Applied to Capital Financing | 10,243 |
| (8) | Amortisation of intangible assets | (3) |
| 1,734 | Non-current asset revaluation decreases to CIES | (20,320) |
| (6,534) | Non-current asset depreciation charged to CIES | (7,080) |
| (3,730) | Reversal of items relating to retirement benefits | (1,773) |
| 1,550 | Employer's pensions contributions | 1,756 |
| 753 | Repayment of Debt | 872 |
| 5,252 | Capital Expenditure Funded by the HRA | 611 |
| (15) | Transfer to/from Employee Statutory Adjustment Account | (16) |
| **7,342** | **Total** | **(15,705)** |

**2. Adjustments to Useable Reserves Permitted by Accounting Standards**

| **2022/23** | | **2023/24** |
|---|---|---|
| **£'000** | | **£'000** |
| (3,000) | Difference between fair value and historic cost depreciation | (974) |
| **(3,000)** | **Total** | **(974)** |

**3. Housing Stock**

Stirling Council's housing stock at 31 March 2024 was 6,009 (5,960 at 31 March 2023) in the following categories:

| **Property Type** | **1 Apt** | **2 Apt** | **3 Apt** | **4 Apt** | **5 Apt** | **6 Apt+** | **Total** |
|---|---|---|---|---|---|---|---|
| Bedsit | 22 | - | - | - | - | - | **22** |
| Flat in Close | 608 | 676 | 147 | 1 | - | - | **1,432** |
| Own Door Flat | 414 | 481 | 189 | 72 | - | - | **1,156** |
| Maisonette | - | 71 | 15 | 1 | - | - | **87** |
| Bungalow | 321 | 54 | 26 | 2 | 1 | - | **404** |
| Mid Terrace | 18 | 469 | 460 | 21 | 2 | - | **970** |
| End Terrace/Semi | 28 | 773 | 955 | 166 | 3 | 1 | **1,926** |
| Detached | - | 3 | 3 | 3 | 2 | 1 | **12** |
| | **1,411** | **2,527** | **1,795** | **266** | **8** | **2** | **6,009** |

**4. Rent Arrears**

Rent arrears relating to current tenants in Council dwellings and lockups totalled £1.268m as at 31 March 2024 (£1.273m as at 31 March 2023). Rent arrears relating to former tenants in Council dwellings and lockups totalled £0.992m as at 31 March 2024 (£0.948m as at 31 March 2023). Arrears of £0.235m were written off during the year, which mainly related to former housing tenants.

**5. Movement in the Allowance for Bad Debts**

An accumulated total provision of £1,725m has been made for Bad and Doubtful Debts, of which £1.693m is for dwellings and lockups, with the balance of £0.032m relating to other debtors. This is compared to a total of £1.550m in 2022/23, of which £1.517m was for dwellings and lockups with the balance of £0.033m relating to other debtors.

**6. Rent Lost Due To Empty Properties**

Rent lost as a result of empty properties during the year was £0.466m (2022/23, £0.487m).

# Council Tax Income Account

The council tax income account shows the gross income raised from council taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the authority. The Council raises taxes from its residents through the Council Tax, which is a property tax linked to property values. Each dwelling in the Stirling Council area is placed into one of eight valuation bands (A to H). The Council determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less and higher valued properties (D to F) paying more. Properties can be exempt from Council Tax if they are unoccupied or occupied by certain categories of occupant. A reduction may be applied if a resident is disabled and the property adapted. A discount of 25% is available for properties occupied by one liable person aged 18 years and over.

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| (69,868) | Gross Council Tax Levied and Contributions in Lieu | (75,445) |
| | Adjusted for: | |
| 4,505 | Council Tax Reduction Scheme | 4,993 |
| 9,851 | Other Discounts and Reductions | 10,480 |
| 401 | Write-off of uncollectable debts and allowance for impairment | 393 |
| **(55,111)** | **Net Council Tax Income per the Comprehensive Income and Expenditure Statement** | **(59,579)** |

**Calculation of the Council Tax Base 2023/24**

| | No of Dwellings | Long Term Empty Premium | Exempt Dwellings | Disabled Relief | Discounts 25% | Discounts 50% | Total Dwellings | Ratio to Band D | Band D Equivalents |
|---|---|---|---|---|---|---|---|---|---|
| Band A* | - | - | - | 11 | - | - | **11** | 5/9 | 6 |
| Band A | 6,000 | 47 | (779) | 18 | (721) | (12) | **4,553** | 6/9 | 3,035 |
| Band B | 8,778 | 74 | (671) | (5) | (964) | (19) | **7,193** | 7/9 | 5,595 |
| Band C | 4,722 | 45 | (512) | 10 | (499) | (10) | **3,756** | 8/9 | 3,339 |
| Band D | 5,110 | 49 | (422) | 22 | (511) | (11) | **4,237** | 1 | 4,237 |
| Band E | 6,659 | 34 | (304) | (13) | (506) | (13) | **5.857** | 473/360 | 7,696 |
| Band F | 5,450 | 19 | (182) | 10 | (299) | (6) | **4,992** | 585/360 | 8,112 |
| Band G | 5,566 | 14 | (103) | (45) | (228) | (5) | **5,199** | 705/360 | 10,181 |
| Band H | 758 | 4 | (25) | (8) | (21) | (1) | **707** | 882/360 | 1,732 |

| | |
|---|---|
| **Total** | **43,933** |
| Class 17 dwellings (MoD) | 7 |
| Provision for non-collection | (815) |
| Council Tax Reduction Scheme | (3,206) |
| **Council Tax Base** | **39,919** |

Band A* refers to properties subject to disabled relief

Dwellings fall within a valuation band between A to H, which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to Stirling Council, the band D charge for 2023/24 was £1,481.50 (2022/23, £1,384.58).

Stirling Council charges per band for 2023/24:

| | | | |
|---|---|---|---|
| Band A | £987.67 | Band E | £1,946.53 |
| Band B | £1,152.28 | Band F | £2,407.44 |
| Band C | £1,316.89 | Band G | £2,901.27 |
| Band D | £1,481.50 | Band H | £3,629.68 |

# Non-Domestic Rates Income Account

Local authorities collect Non-Domestic Rates (NDR) income which is remitted to the Scottish Government, pooled nationally and re-distributed back to local authorities along with the General Revenue Grant. As local authorities act as an agent of the Scottish Government when collecting NDR, the Code requires that local authorities only recognise a net NDR creditor or debtor due to or from the Scottish Government in the Balance Sheet. The table below outlines the actual levels of NDR collected by Stirling Council and the overall increase/decrease between the rates collected and the amount that Stirling Council is entitled to receive under the National Pooling arrangement.

| 2022/23 £000 | 2022/23 £000 | | 2023/24 £000 | 2023/24 £000 |
|---|---|---|---|---|
| | (62,177) | Gross rates levied and contributions in lieu | | (63,812) |
| 17,636 | | Reliefs and other deductions | 16,789 | |
| 897 | | Provision for bad and doubtful debts | 1,003 | |
| 3 | | Other adjustments | (8) | |
| | 18,536 | | | 17,784 |
| | **(43,641)** | **Net Non-Domestic Rate Income** | | **(46,028)** |
| | 628 | Adjustment to Previous Years Non Domestic Rates | | 242 |
| | (167) | Discretionary Relief charged to General Fund | | (183) |
| | **(43,180)** | **Income for Contribution to National Non-Domestic Rate Pool** | | **(45,969)** |
| 43,180 | | Contribution to National Non-Domestic Rate Pool | 45,969 | |
| (35,942) | | Distribution from National Non-Domestic Rate Pool | (45,636) | |
| | 7,238 | Net Contribution to/(from) National Non-Domestic Rate Pool | | 333 |
| | **(35,942)** | **Net Non-Domestic Rate Income to Comprehensive Income and Expenditure Statement** | | **(45,636)** |

**Net Rateable Value Calculation**

The amount paid for NDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £, which is determined each year by the Scottish Government. The NDR poundage rate set by the Scottish Government for 2023/24 was 49.8p (2022/23, 49.8p). Properties with a rateable value greater than £51,000 are charged a supplement of 1.3p per £, with properties with a rateable value greater than £95,000 being charged a supplement of 2.6p per £. Properties with a rateable value of £18,000 or less may be eligible for Small Business Bonus relief.

The rateable values and numbers of rateable subjects as at 1 April 2023 were:

| Subject Classification | No. of Subjects | % | Rateable Value (£000) | % |
|---|---|---|---|---|
| Commercial | 3,317 | 53.62% | 67,662 | 52.47% |
| Industrial | 1,053 | 17.02% | 19,039 | 14.77% |
| Miscellaneous | 1,728 | 27.94% | 34,445 | 26.71% |
| Formula Valued Subjects | 88 | 1.42% | 7,806 | 6.05% |
| | **6,186** | **100.00%** | **128,952** | **100.00%** |

The comparative rateable values and numbers of rateable subjects as at 1 April 2022 were:

| Subject Classification | No. of Subjects | % | Rateable Value (£000) | % |
|---|---|---|---|---|
| Commercial | 3,398 | 54.39% | 69,882 | 56.66% |
| Industrial | 1,046 | 16.74% | 16,470 | 13.36% |
| Miscellaneous | 1,717 | 27.49% | 29,416 | 23.85% |
| Formula Valued Subjects | 86 | 1.38% | 7,554 | 6.13% |
| | **6,247** | **100.00%** | **123,322** | **100.00%** |

# Common Good Funds

Stirling Council administers the Stirling, Bridge of Allan, Callander and Dunblane Common Good Funds. The respective Common Good Funds must be used for the benefit of the communities of each area. Common Good Funds do not represent assets of Stirling Council and are not included in Stirling Council's Balance Sheet, but are included in Stirling Council's Group Accounts.

The following tables show the income and expenditure of the Common Good Funds for the year to 31 March 2024, together with the net assets of the Common Good Funds as at 31 March 2024.

**Income and Expenditure Statement for the Year Ended 31 March 2024**

| All figures in £ | Stirling | Bridge of Allan | Callander | Dunblane | 2023/24 Total | 2022/23 Total |
|---|---|---|---|---|---|---|
| Interest from Stirling Council Loans Fund | (36,491) | (21,286) | (338) | (1,912) | (60,027) | (33,322) |
| Income from Other Bodies | - | - | - | (9,649) | (9,649) | - |
| Rents and Service Charges | (1,052) | - | - | - | (1,052) | (15,933) |
| **Total Income** | **(37,543)** | **(21,286)** | **(338)** | **(11,561)** | **(70,728)** | **(49,255)** |
| Smith Art Gallery Grant | 7,000 | - | - | - | 7,000 | 7,000 |
| Depreciation of Property | 2,567 | - | - | - | 2,567 | 2,567 |
| Upkeep of Property | 9,580 | - | - | - | 9,580 | 3,821 |
| Grant Payment | - | 10,633 | 1,469 | - | 12,102 | 4,189 |
| **Total Expenditure** | **19,147** | **10,633** | **1,469** | **-** | **31,249** | **17,577** |
| **Net Movement in Funds** | **(18,396)** | **(10,653)** | **1,131** | **(11,561)** | **(39,479)** | **(31,678)** |
| **Reconciliation of Funds** | | | | | | |
| Net Movement in Funds | (18,396) | (10,653) | 1,131 | (11,561) | (39,479) | (31,678) |
| Total Funds Brought Forward | (847,581) | (423,982) | (7,525) | (37,710) | (1,316,798) | (1,285,120) |
| **Total Funds Carried Forward** | **(865,977)** | **(434,635)** | **(6,394)** | **(49,271)** | **(1,356,277)** | **(1,316,798)** |

**Balance Sheet as at 31 March 2024**

| All figures in £ | Stirling | Bridge of Allan | Callander | Dunblane | 31 March 2024 Total | 31 March 2023 Total |
|---|---|---|---|---|---|---|
| **Property, Plant & Equipment** | | | | | | |
| Land & Buildings | 129,734 | - | - | - | 129,734 | 132,301 |
| Community Assets | - | - | - | 1 | 1 | 1 |
| **Total Property, Plant & Equipment** | **129,734** | **-** | **-** | **1** | **129,735** | **132,302** |
| **Current Assets** | | | | | | |
| Debtors and Prepayments | **-** | - | - | - | **-** | 1,291 |
| Cash & Cash Equivalents | 736,243 | 434,635 | 6,394 | 49,270 | 1,226,542 | 1,197,205 |
| **Total Current Assets** | **736,243** | **434,635** | **6,394** | **49,270** | **1,226,542** | **1,198,496** |
| **Current Liabilities** | | | | | | |
| Creditors falling due within 1 Year | **-** | - | - | - | **-** | (14,000) |
| **Total Current Liabilities** | **-** | **-** | **-** | **-** | **-** | **(14,000)** |
| **Total Net Assets** | **865,977** | **434,635** | **6,394** | **49,271** | **1,356,277** | **1,316,798** |
| **Reserves** | | | | | | |
| Revaluation Reserve | (38,158) | - | - | - | (38,158) | (38,158) |
| Usable Reserves | (827,819) | (434,635) | (6,394) | (49,271) | (1,318,119) | (1,278,640) |
| **Total Reserves** | **(856,977)** | **(434,635)** | **(6,394)** | **(49,271)** | **(1,356,277)** | **(1,316,798)** |

Property, Plant & Equipment comprises the Steeple building, King Street, Stirling and Laighills Park, Dunblane.
Cash & Cash Equivalents comprise monies held with Stirling Council Loans Fund.

# Trust Funds

Stirling Council currently administers 11 Charitable Trusts which have arisen mainly as a result of gifts, bequests or donations to be used for the benefit of citizens within the Stirling Council area.

The Council is currently conducting a review of the smaller charitable trusts which it administers with the objective of either reorganising these into fewer charities, or transferring the reserves held to external charitable organisations who may be better placed to meet the purposes for which the trusts were originally established.

Reserves held in the Charitable Trusts have been consolidated within Stirling Council's Group Accounts in accordance with required accounting practice. Detailed accounts of each Charitable Trust are submitted to the Scottish Charity Regulator on an annual basis and are available from the Chief Officer Finance, Stirling Council.

The figures below summarise the Income and Expenditure arising during the year and the aggregate Assets and Liabilities of the Charitable Trusts at the year end.

**Statement of Financial Activities for the year ended 31 March 2024**

| 2022/23<br>£000 | | 2023/24<br>£000 |
|---|---|---|
| | **Incoming Resources from Generated Funds** | |
| (5) | Investment Income | (9) |
| **(5)** | **Total Incoming Resources** | **(9)** |
| | | |
| | **Resources Expended - Charitable Activities** | |
| 1 | Repairs/Energy/Upkeep of Grounds | 4 |
| **1** | **Total Resources Expended** | **4** |
| | | |
| **(4)** | **Net Movement In Funds** | **(5)** |
| (189) | Total Funds B/fwd | (193) |
| **(193)** | **Total Funds C/fwd** | **(198)** |

**Balance Sheet as at 31 March 2024**

| 31 March<br>2023 | | 31 March<br>2024 |
|---|---|---|
| 450 | Property, Plant & Equipment | 390 |
| **450** | **Long Term Assets** | **390** |
| | | |
| 193 | Cash & Cash Equivalents | 198 |
| **193** | **Current Assets** | **198** |
| | | |
| **643** | **Net Assets** | **588** |
| | | |
| (450) | Revaluation Reserve | (390) |
| (193) | Usable Reserves | (198) |
| **(643)** | **Total Reserves** | **(588)** |

Property, Plant & Equipment comprises the Village Club building, Strathblane. Cash & Cash Equivalents comprise monies held with Stirling Council Loans Fund.

Stirling Council also administers 14 Other Trusts. Funds held in these Trusts do not represent assets of Stirling Council and are not included in Stirling Council's Balance Sheet, nor are they included in Stirling Council's Group Accounts. Other Trust Fund revenue reserves held as at 31 March 2024 are as follows:

| | | 31 March<br>2023<br>£000 | 31 March<br>2024<br>£000 |
|---|---|---|---|
| Welfare Bequests (2 Trusts) | Provision of poor relief and amenity improvements | (8) | (7) |
| Education Bequests (7 Trusts) | Provision of school prizes | (34) | (36) |
| Social Services Funds (6 Trusts) | Residential homes donations and care related activities | (27) | (28) |
| **Total Other Trusts** | | **(69)** | **(71)** |

# Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement combines the Income and Expenditure figures of Stirling Council with Stirling Council's share of the operating results of those entities in which it has a financial interest.

| Restated 2022/23 Gross Spend £000 | Restated 2022/23 Gross Income £000 | Restated 2022/23 Net Spend £000 | | Note | 2023/24 Gross Spend £000 | 2023/24 Gross Income £000 | 2023/24 Net Spend £000 |
|---|---|---|---|---|---|---|---|
| 462 | (29) | 433 | Chief Executive Office | | 430 | (91) | 338 |
| 430 | (26) | 404 | Executive Office and Communications | | 446 | (27) | 419 |
| 260 | (14) | 246 | Communities and Performance Management | | 199 | (17) | 182 |
| 8,603 | (4,854) | 3,749 | Housing | | 8,384 | (4,912) | 3,473 |
| 18,685 | (4,223) | 14,462 | People & Community Wellbeing | | 18,305 | (3,449) | 14,856 |
| 13,880 | (1,934) | 11,946 | Customer Service and Performance | | 13,695 | (1,642) | 12,053 |
| 15,790 | (2,738) | 13,052 | Children & Families | | 15,228 | (3,418) | 11,810 |
| 139,931 | (19,341) | 120,590 | Schools & Learning | | 157,604 | (16,593) | 141,011 |
| 8,129 | - | 8,129 | Balfron PFI & Stirling Schools PPP | | 9,066 | - | 9,066 |
| 36,076 | (4,454) | 31,622 | Environment and Place | | 35,239 | (4,993) | 30,246 |
| 20,649 | (3,175) | 17,474 | Infrastructure | | 22,540 | (3,885) | 18,655 |
| 22,153 | (11,283) | 10,870 | Economic Development, Planning & Climate Change | | 20,758 | (14,232) | 6,526 |
| 20,628 | (15,576) | 5,052 | Finance | | 19,716 | (15,216) | 4,500 |
| 3,911 | (734) | 3,177 | Governance | | 3,601 | (809) | 2,792 |
| 119,215 | (67,738) | 51,477 | Clackmannanshire and Stirling Health & Social Care Partnership | | 122,413 | (71,067) | 51,346 |
| 1,006 | - | 1,006 | Central Scotland Valuation Joint Board | | 1,026 | - | 1,026 |
| 13,200 | (8,793) | 4,407 | Other Operating (Income) & Expenditure | | 8,455 | (1,991) | 6,464 |
| 19 | (16) | 3 | Share of Operating Results of Common Good & Charitable Trusts | | 36 | (11) | 25 |
| 1,401 | - | 1,401 | Net Operating Expenditure/(Income) from Associates, Joint Ventures and Joint Operations | | 3,220 | - | 3,220 |
| **444,428** | **(144,928)** | **299,500** | **Net Cost Of General Services** | | **460,361** | **(142,353)** | **318,008** |
| 23,938 | (23,558) | 380 | Housing Revenue Account | | 47,378 | (24,589) | 22,789 |
| **468,366** | **(168,486)** | **299,880** | **Net Cost of Services** | | **507,739** | **(166,942)** | **340,797** |
| - | (703) | (703) | Other Operating Expenditure | | 491 | - | 491 |
| 20,748 | (874) | 19,874 | Financing & Investment (Income)/Expenditure | | 17,323 | (9,678) | 7,645 |
| - | (279,801) | (279,801) | Taxation and Non-Specific Grant Income | | - | (291,682) | (291,682) |
| 117 | - | 117 | Tax Expenses | | 51 | - | 51 |
| **489,231** | **(449,864)** | **39,367** | **(Surplus)/Deficit on Provision of Services** | 4 | **525,604** | **(468,302)** | **57,302** |
| | | (51,559) | (Surplus)/Deficit Arising on Revaluation of Non-Current Assets (Stirling Council) | | | | (4,473) |
| | | (96) | Surplus)/Deficit Arising on Revaluation of Non-Current Assets (Group Entities) | | | | 1.587 |
| | | (239,530) | Remeasurements of the Net Pension Liability (Stirling Council) | | | | (31,846) |
| | | (14,268) | Remeasurements of the Net Pension Liability (Group Entities) | | | | 677 |
| | | **(305,453)** | **Other Comprehensive Income/Expenditure** | MIRS | | | **(34,055)** |
| | | **(266,086)** | **Total Comprehensive Income/Expenditure** | MIRS | | | **23,247** |

# Group Movement in Reserves Statement

The Group Movement in Reserves Statement shows the movement in the year on the different reserves held by Stirling Council, together with the movement in Stirling Council's share of those entities in which it has a financial interest.

| | Note | Stirling Council Usable Reserves £000 | Group Entities Usable Reserves £000 | **Total Group Usable Reserves £000** | Stirling Council Unusable Reserves £000 | Group Entities Unusable Reserves £000 | **Total Group Unusable Reserves £000** | **Total Group Reserves £000** |
|---|---|---|---|---|---|---|---|---|
| **Balance b/fwd at 1 April 2022** | | **(51,283)** | **(12,839)** | **(64,122)** | **(388,670)** | **7,491** | **(381,179)** | **(445,301)** |
| **Movement in Reserves 2022/23** | | | | | | | | |
| Restatement to Opening Balances b/fwd from 2021/22 | | - | (2,026) | **(2,026)** | - | - | **-** | **(2,026)** |
| (Surplus)/deficit on provision of services | CIES | 36,645 | 2,722 | **39,367** | - | - | **-** | **39,367** |
| Other Comprehensive Expenditure/(Income) | CIES | - | - | - | (291,089) | (14,364) | **(305,453)** | **(305,453)** |
| **Total Comprehensive Expenditure/Income** | CIES | **36,645** | **2,722** | **39,367** | **(291,089)** | **(14,364)** | **(305,453)** | **(266,086)** |
| Adjustments to useable reserves permitted by accounting standards | | (7,382) | - | **(7,382)** | 7,382 | - | **7,382** | **-** |
| Adjustments between accounting basis & funding basis under regulations | | (13,576) | (1,220) | **(14,796)** | 13,576 | 1,220 | **14,796** | **-** |
| **Decrease/(Increase)in 2022/23** | | **15,687** | **1,502** | **17,189** | **(270,131)** | **(13,144)** | **(283,275)** | **(266,086)** |
| **Balance at 31 March 2023** | | **(35,596)** | **(13,363)** | **(48,959)** | **(658,801)** | **(5,653)** | **(664,454)** | **(713,413)** |
| **Movement in Reserves 2023/24** | | | | | | | | |
| Deficit/(surplus)/ on provision of services | CIES | 58,301 | (999) | **57,302** | - | - | **-** | **57,302** |
| Other Comprehensive Expenditure/(Income) | CIES | - | - | - | (36,319) | 2,264 | **(34,055)** | **(34,055)** |
| **Total Comprehensive Expenditure/Income** | CIES | **58,301** | **(999)** | **57,302** | **(36,619)** | **2,264** | **(34,055)** | **23,247** |
| Adjustments to useable reserves permitted by accounting standards | | (14,768) | - | **(14,768)** | 14,768 | - | **(14,768)** | **-** |
| Adjustments between accounting basis & funding basis under regulations | | (26,115) | 2,141 | **(23,976)** | 26,115 | (2,141) | **23,974** | **-** |
| Adjustment to statutory repayment of debt for Service Concession arrangements | | (27,358) | - | **(27,358)** | **27,358** | **-** | **27,358** | **-** |
| **Decrease/(Increase) in 2023/24** | | **(9,940)** | **1,142** | **(8,798)** | **31,922** | **123** | **32,045** | **23,247** |
| **Balance at 31 March 2024** | 4 | **(45,536)** | **(12,221)** | **(57,757)** | **(626,879)** | **(5,530)** | **(632,409)** | **(690,166)** |

The Restatement to Opening Balances b/fwd from 2021/22 figure of £2.026m mainly reflects the impact of a financial restructuring of Stirling Development Agency Ltd, whereby shareholders approved the recapitalisation of the company through conversion of existing shareholder loans to equity.

# Group Balance Sheet

The Group Balance Sheet shows as at 31 March the assets and liabilities of the Group and combines Stirling Council's assets and liabilities with its share of the assets and liabilities of those entities in which it has a financial interest.

| Restated 31 March 2023 £000 | | Note | 31 March 2024 £000 |
|---|---|---|---|
| 2,472 | Intangible Assets | | 2,133 |
| 924,634 | Property, Plant & Equipment | | 897,930 |
| 1,418 | Heritage Assets | | 1,480 |
| 1,236 | Investment Property | | 4,767 |
| 34 | Long Term Investments | | 22 |
| 8,772 | Investments in Associates and Joint Ventures | 3 | 5,810 |
| 7,671 | Long Term Debtors | | 5,383 |
| 14,656 | Long Term Asset (Pension) | | 49,117 |
| **960,893** | **Long Term Assets** | | **966,642** |
| 845 | Inventories | | 798 |
| 23,673 | Short Term Debtors | | 34,306 |
| 15,622 | Cash and Cash Equivalents | | 11,905 |
| **40,140** | **Current Assets** | | **47,009** |
| (37,631) | Short Term Borrowing | | (58,962) |
| (67,008) | Short Term Creditors | | (67,851) |
| (1,382) | Short Term Provisions | | (1,781) |
| **(106,021)** | **Current Liabilities** | | **(128,594)** |
| (129,552) | Long Term Borrowing | | (147,454) |
| (44,439) | Finance Lease Liability | | (41,603) |
| (2,487) | Capital Grants Receipts in Advance | | (4,191) |
| (1,678) | Revenue Grants Receipts in Advance | | (1,620) |
| (3,419) | Long Term Creditors | | - |
| **(181,575)** | **Long Term Liabilities** | | **(194,868)** |
| **713,437** | **Net Assets** | | **690,189** |
| (658,801) | Stirling Council Unusable Reserves | MIRS | (626,878) |
| (35,596) | Stirling Council Usable Reserves | MIRS | (45,537) |
| (19,016) | Group Entities' Reserves | MIRS,2,4 | (17,751) |
| **(713,413)** | **Total Group Reserves** | MIRS,2 | **(690,166)** |
| (24) | Minority Interests | | (23) |
| **(713,437)** | **Total Reserves** | | **(690,189)** |

The unaudited accounts were issued on 3 July 2024.

George Murphy
Finance Service Manager (Acting S95 Officer)

# Group Cash Flow Statement

The Group Cash Flow Statement shows the change in the year of cash and cash equivalents of Stirling Council and those entities in which it has a financial interest.

| **Restated 2022/23** | | **2023/24 £000** |
|---|---|---|
| 39,367 | Net Deficit on the Provision of Services | 57,302 |
| (2,455) | Adjust for entities included in the net deficit on the provision of services that are excluded from the group cash flow statement (Associates and Joint Ventures) | 744 |
| (66,989) | Adjust net deficit on the provision of services for non-cash movements | (66,691) |
| 21,145 | Adjust for items included in the net deficit on the provision of services that are investing and financing activities | 28,089 |
| **(8,932)** | **Net Cash Inflows from Operating Activities** | **19,444** |
| 49,174 | Purchase of property, plant and equipment, investment property and intangible assets | 45,161 |
| (1,075) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (342) |
| (28,076) | Other receipts from investing activities | (25,891) |
| **20,023** | **Net Cash Outflows from Investing Activities** | **18,928** |
| (41,115) | Cash receipts of short and long-term borrowing | (103,123) |
| 18,599 | Cash repayments of short and long-term borrowing | 65,402 |
| 2,552 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 2,733 |
| 7,238 | Other payments/receipts for financing activities (net contribution to/from NDR Pool) | 333 |
| **(12,726)** | **Net Cash (In)/Outflows from Financing Activities** | **(34,655)** |
| **(1,635)** | **Net (Increase)/Decrease in Cash and Cash Equivalents** | **3,717** |
| 13,987 | Group cash and cash equivalents at the beginning of the reporting period | 15,622 |
| **15,622** | **Group Cash and Cash Equivalents at the End of the Reporting Period** | **11,905** |

The impact of adding Subsidiary Companies, Charitable Trusts and the Stirling, Callander and Bridge of Allan Common Good Funds to the Stirling Council single entity results within the Group Cash Flow Statement is to increase the Cash & Cash Equivalents at the end of the reporting period by £3.471m (2022/23 £3.375m).

| | | |
|---|---|---|
| 12,247 | Cash and Cash Equivalents at the End of the Reporting Period – Stirling Council | 8,434 |
| 3,375 | Cash and Cash Equivalents at the End of the Reporting Period – Group Entities | 3,471 |
| **15,622** | **Group Cash and Cash Equivalents at the End of the Reporting Period** | **11,905** |

# Notes to the Group Financial Statements

## 1. Group Accounting Policies

The Financial Statements in the Group Accounts have been prepared in accordance with Stirling Council's accounting policies. Stirling Council has adopted the recommendations of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts.

Stirling Council has accounted for its interest in each Subsidiary using the acquisition method of accounting. Stirling Council's interest in each Associate has been accounted for using the equity method of accounting. With regard to the Central Scotland Valuation Joint Board, Stirling Council's interest reflects the requisition share paid by Stirling Council. Stirling Council has accounted for its interest in each Joint Venture using the gross equity method of accounting. Uniform accounting policies have been adopted by all group entities with the exception of the basis for accounting for pension fund costs under FRS17/IAS19.

Active Stirling Ltd has not accounted for its pension costs under Financial Reporting Standard 17 (FRS17) given the pension guarantee provided by Stirling Council. Instead, the company accounts for its pension costs under the terms of a defined contribution scheme. As at 31 March 2024 and in respect of their pensions obligations held in the Falkirk Council Pension Fund only, the value of the Defined Benefit Obligation of Active Stirling Ltd was £15.0m (2022/23, £13.6m) and the Fair Value of Plan Assets was £18.9m (2022/23, £17.8m). The Net Asset was therefore £3.9m (2022/23, Net Asset £4.2m) with Stirling Council's share as sole member represented by these sums. These figures have been calculated using the same assumptions and methodology underlying the provision of Stirling Council's pension obligations. Stirling Council has accounted for the Active Stirling Ltd pension liability and corresponding pension reserve in the Group Balance Sheet, together with relevant adjustments in the Group Comprehensive Income and Expenditure Statement.

**Combining Entities**

Recognition has been made of Stirling Council's controlling interest in six Subsidiary companies. Active Stirling Ltd is treated as a subsidiary on account of it being a Charitable Leisure Trust over which Stirling Council is the sole member. Raploch URC Ltd and Stirling Community Enterprise Ltd (formerly Raploch URC (Landholdings) Ltd) have also been consolidated as Subsidiaries as Stirling Council is the sole Member on the Board of Directors and therefore has effective control. Stirling Council also has effective control over the Stirling, Callander, Bridge of Allan and Dunblane Common Good Funds and a number of Charitable Trusts, which it administers as sole trustee and, as such, these are also treated as Subsidiaries in the Group Accounts. Stirling Council also consolidates its interests in one Associate and three Joint Ventures. The Accounting period end for all entities is the 31 March 2024. Copies of the most recent audited accounts of the combining entities are available from the Chief Officer Finance, Stirling Council. The % share of each combining entity's financial results (after taking account of Minority Interests) is as follows:

| | Basis for Consolidation Treatment | Group Share 2022/23 % | Net Exp/(Inc) 2022/23 £000 | Net Assets/ (Liabilities) 2022/23 £000 | Group Share 2023/24 % | Net Exp/(Inc) 2023/24 £000 | Net Assets/ (Liabilities) 2023/24 £000 |
|---|---|---|---|---|---|---|---|
| ***Subsidiaries*** | | | | | | | |
| Active Stirling Ltd | Sole Member | 100% | (10,349) | 4,242 | 100% | 271 | 3,971 |
| Raploch URC Ltd | Sole Member | 100% | 131 | 1,235 | 100% | - | 1,235 |
| Stirling Community Enterprise Ltd | Sole Member | 100% | 66 | 60 | 100% | - | 60 |
| Steadfast Homes LLP | Voting Rights | 100% | (150) | 1,677 | 100% | 1,535 | 142 |
| Stirling Business Centre Ltd | Voting Rights | 91.45% | 4 | 242 | 91.45% | 1 | 241 |
| Stirling Technology Projects Ltd | Sole Member | 100% | 51 | 828 | 100% | (3,520) | 4,348 |
| Common Good Funds | Sole Trustee | 100% | (32) | 1,317 | 100% | (40) | 1,356 |
| Charitable Trust Funds | Sole Trustee | 100% | (99) | 643 | 100% | 55 | 588 |
| ***Associates*** | | | | | | | |
| Central Scotland Valuation Joint Board | Requisition | 35.4% | (2,725) | 967 | 35.4% | (166) | 1,133 |
| ***Joint Ventures*** | | | | | | | |
| Stirling Development Agency Ltd | Voting Rights | 50% | 17 | 2,096 | 50% | (32) | 2,128 |
| Stirling University Innovation Park Ltd | Voting Rights | 50% | 13 | 78 | 50% | (5) | 83 |
| Clackmannanshire and Stirling IJB | Voting Rights | 25% | 1,431 | 5,631 | 25% | 3,166 | 2,466 |
| **Total Consolidated Group Entities** | | | **(11,642)** | **19,016** | | **1,265** | **17,751** |
| **Stirling Council** | | | **(254,444)** | **694,397** | | **21,982** | **672,415** |
| **Group Financial Statements** | | | **(266,086)** | **713,413** | | **23,247** | **690,166** |
| Total Consolidated Group Entities (as above) | | | | 19,016 | | | 17,751 |
| Minority Interests | | | | (24) | | | (23) |
| **Group Entities' Reserves** | | | | **18,992** | | | **17,728** |

All subsidiaries, associated and joint venture companies have been incorporated and have their principal place of business within the United Kingdom.

**Subsidiaries**

***Active Stirling Limited***

Since 31 March 2006, Active Stirling Ltd, being a company limited by guarantee and having charitable status, has operated and managed Stirling Council's sport and leisure facilities including leisure centres, pavilions and sports pitches in accordance to a service level agreement with Stirling Council. The main venue is the Stirling Sports Village and Peak Facility at Forthbank. The land and buildings operated and managed by Active Stirling remain in Stirling Council's ownership.

***Raploch Urban Regeneration Company Ltd***

The principal activity of the company is the promotion for the public benefit of urban regeneration in areas of social and economic deprivation, in particular within the area of Raploch, Stirling. The company is limited by guarantee and has been granted tax exemption status as a charity by the Inland Revenue. The company has one wholly owned subsidiary, Stirling Community Enterprise Ltd (formerly Raploch Urban Regeneration Company Landholdings Ltd).

***Stirling Community Enterprise Ltd (formerly Raploch Urban Regeneration Company Landholdings Ltd)***

Stirling Community Enterprise Ltd is a wholly owned subsidiary of Raploch Urban Regeneration Company Ltd. The Board revisited the company's objectives as part of a 10 year business planning exercise and agreed that the main focus of the company would transfer to social and economic rather than physical regeneration, with a strong emphasis on the provision of education and skills training to support clients towards and into the workplace.

As part of this arrangement, the company transferred the vast majority of its landholdings to Stirling Council, leaving one site in development and another potential development site at the planning stage. To reflect the nature of the company's business it was decided that the company should change its name, effective from 22 January 2018.

***Steadfast Homes LLP***

Steadfast Homes LLP ("Steadfast") is a limited liability partnership, originally constituted between Stirling Council and the Scottish Futures Trust (SFT), supported by the Scottish Government as guarantor, to deliver Mid-Market rent properties within the local authority area. Stirling Council also had a similar arrangement under Stirling Waterfront NHT 2011 LLP ("Waterfront") whereby the intention was that this LLP would only remain in existence for a period of up to 10 years, as the properties held would be sold by this point.

The original governance documents for both Steadfast and Waterfront always envisaged an exit by SFT and during 2021/22 this exit was implemented by the parties. This involved the re-financing of existing borrowing by Steadfast and the transfer of assets held by Waterfront to Steadfast, and the subsequent winding up of Waterfront. As a LLP, corporate law requires a minimum of 2 members therefore, it was agreed that the rights and obligations held by SFT would be transferred to a new company, Strevelin Homes Ltd.

On completion of the above transactions, the Council's mid-market rent portfolio is now held in Steadfast Homes LLP, which is ultimately controlled by the Council.

***Strevelin Homes Ltd***

Stevelin Homes Ltd is a dormant limited company, established to preserve the LLP status of Steadfast Homes LLP. It is a sole member company, with full shares held by the Council. Whilst it would be classed as a subsidiary, there is no expectation of it holding any assets, or incurring any income or expenditure.

***Stirling Business Centre Limited***

The company's principal activity is to promote and encourage industrial and commercial activity and enterprise in Stirling district and to make available accommodation for letting. Stirling Council has entered into a lease with the company of the Stirling Business Centre at Wellgreen Road, Stirling and of Enterprise House at Springkerse Business Park, Stirling.

***Stirling Technology Projects Limited***

The company was formed for the single purpose of providing an extension to the building occupied by BioReliance Ltd at Stirling University Innovation Park and thereafter leasing the whole building to BioReliance Ltd. BioReliance Ltd took entry to the building provided by the company in May 1999 at which point the company began to trade. Stirling Council acts as guarantor in respect of the company's obligations under its bank loan agreement. At 31 March 2024 the sum guaranteed was £0.054m (31 March 2023, £0.266m).

**Associates**

***Central Scotland Valuation Joint Board***

Central Scotland Valuation Joint Board is the statutory body responsible for maintaining the electoral, council tax and non-domestic rate registers for Stirling, Falkirk and Clackmannanshire Councils.

**Joint Ventures**

***Stirling Development Agency Ltd***

This is a joint venture company whose principal activity is the development and refurbishment of commercial, industrial and residential properties. The company was formed in March 2008 as a result of the restructuring of City of Stirling Business Parks (Investments) Limited. During 2022/23, shareholders approved the recapitalisation of the company through conversion of shareholder loans to equity.

***Stirling University Innovation Park Ltd***

The principal activity of the company is the development, promotion, marketing, use and management of Stirling University Innovation Park.

***Clackmannanshire and Stirling Integration Joint Board***

Clackmannanshire and Stirling Integration Joint Board (IJB) is a statutory body established to integrate health and social care services between Clackmannanshire Council, Stirling Council and NHS Forth Valley. The contribution provided by Stirling Council to the IJB in 2023/24 was £49.4m, of which £48.6m was funded from General Fund and £0.8m from Housing Revenue Account. The comparative 2022/23 figures were a contribution of £48.8m, of which £48.0m was funded from General Fund and £0.8m from Housing Revenue Account. The IJB Board comprises twelve voting members with three (25%) made up of Stirling Council Elected Members.

## 2. Non-Consolidation Interests in Other Entities

The principal activity of **Stirling Enterprise Park Ltd**, is to promote and encourage industrial and commercial activity and enterprise and to make available accommodation for letting.

Stirling Council holds the majority of equity capital in Stirling Enterprise Park Ltd, but under normal practices it does not control the majority of voting rights, nor does it have the right to appoint the majority of the governing board. However, in the event of a poll being demanded at a Board meeting, Stirling Council would have ultimate control being the major shareholder, as it is entitled to one vote for each share held, in accordance with the Company's Articles of Association. Under these circumstances it would have been appropriate to account for Stirling Enterprise Park Ltd as a Subsidiary within the group accounts of Stirling Council. However, the reason for exclusion from consolidation is that Stirling Council has neither access to future economic benefits, nor access to benefits in the form of service potential through its interest in Stirling Enterprise Park Ltd.

In accordance with the Memorandum of Association of Stirling Enterprise Park Ltd, Stirling Council does not have the power to extract distributions of assets from the Company. Also, in accordance with the Company's Articles of Association, although Stirling Council has the power to dissolve the Company, it does not however have power to obtain a significant level of the residual economic benefits and is not exposed to the risks inherent in those benefits.

Stirling Council also has an interest in **McLaren Community Leisure Centre (Trading) Ltd**, which operates the McLaren Leisure Centre in Callander. However, due to the immaterial nature of Stirling Council's participation and the fact that it is unable to exert a significant influence over the entity, the decision has been taken not to consolidate.

## 3. Financial Results of Associates and Joint Ventures

The aggregate amounts of assets, liabilities, gross income and surplus or deficit for the year of Stirling Council's Associates and Joint Ventures are shown in the following table.

| 31 March 2023 | | | 31 March 2024 | |
|---|---|---|---|---|
| **Aggregate of Associates and Joint Ventures Results** | **Stirling Council Share** | | **Aggregate of Associates and Joint Ventures Results** | **Stirling Council Share** |
| **£000** | **£000** | | **£000** | **£000** |
| 409 | 198 | Non-Current Assets | 352 | 173 |
| 28,798 | 8,611 | Current Assets | 15,996 | 5,411 |
| (2,147) | (936) | Liabilities Due In One Year | (1,777) | (803) |
| (17) | (8) | Liabilities Due After One Year | (14) | (7) |
| 2,562 | 907 | Pension Assets/(Liabilities) | 2,928 | 1,036 |
| **29,605** | **8,772** | **Net Assets/(Liabilities)** | **17,485** | **5,810** |
| **(213,160)** | **(54,832)** | **Gross Income (Turnover)** | **(219,656)** | **(55,066)** |
| 6,283 | 1,638 | (Surplus)/Deficit on Provision of Services | 11,771 | 2,839 |
| (8,196) | (2,901) | Other Comprehensive (Income)/Expenditure | 350 | 124 |
| **(1,913)** | **(1,263)** | **Total Comprehensive (Income)/Expenditure** | **12,121** | **2,963** |

The 'Stirling Council share of 'Net Assets/(Liabilities)' figure shown above reflects the figure disclosed in the Group Balance Sheet: 'Investment in Associates and Joint Ventures' as follows:

| 31 March 2023 | | 31 March 2024 |
|---|---|---|
| **£000** | | **£000** |
| 8,772 | Investment in Associates and Joint Ventures | 5,810 |
| **8,772** | | **5,810** |

The Pension Assets/Liabilities figures outlined above can be broken down between individual entities as follows:

| 31 March 2023 | | | 31 March 2024 | |
|---|---|---|---|---|
| Aggregate of Associates & JVs Results £000 | Stirling Council Share £000 | | Aggregate of Associates & JV's Results £000 | Stirling Council Share £000 |
| 2,562 | 907 | Central Scotland Valuation Joint Board | 2,928 | 1,036 |
| **2,562** | **907** | **Pension Assets/(Liabilities)** | **2,928** | **1,036** |

## 4. Financial Impact of Group Consolidation

The effect of including the group entities on the Group Comprehensive Income and Expenditure Statement is to reduce the Deficit on Provision of Services by £0.999m (2022/23, increase deficit by £2.722m) as follows:

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Fees, Charges & Other Service Income | (6,262) | (5,753) |
| Net Non-Operating Income from Associates and Joint Ventures | - | (381) |
| Interest and Investment Income | (44) | (80) |
| **Total Income** | **(6,306)** | **(6,214)** |
| | | |
| Service Expenses | 7,377 | 1,985 |
| Interest Payments | 13 | 10 |
| Net Operating Expenditure from Associates and Joint Ventures | 1,401 | 3,220 |
| Net Non-Operating Expenditure from Associates and Joint Ventures | 237 | - |
| **Total Expenditure** | **9,028** | **5,215** |
| **Deficit/(Surplus) on the Provision of Services (Group Entities)** | **2,722** | **(999)** |
| **Deficit on the Provision of Services (Stirling Council)** | **36,645** | **58,301** |
| **Deficit on the Provision of Services (Group CIES)** | **39,367** | **57,302** |

The effect of including the group entities on the Group Balance Sheet is to increase both Reserves and Net Assets (excluding minority interests) by £17.751m (increase by £19.016m, 2022/23) as follows:

| 31 March 2023 £000 | | 31 March 2024 £000 |
|---|---|---|
| | **Unusable Reserves** | |
| (143) | Capital Adjustment Account | (138) |
| (488) | Revaluation Reserve | (428) |
| (5,034) | Pension Reserve | (4,976) |
| 12 | Employee Statutory Adjustment Account (Employee Benefits) | 12 |
| **(5,653)** | **Group Entities' Unusable Reserves** | **(5,530)** |
| | | |
| | **Usable Reserves** | |
| (13,363) | Revenue Reserves | (12,221) |
| **(13,363)** | **Group Entities' Usable Reserves** | **(12,221)** |
| | | |
| **(19,016)** | **Total Group Entities' Reserves** | **(17,751)** |

# Glossary of Terms

While much of the terminology used in this document is intended to be self-explanatory, the following additional definitions and interpretation of terms may be of assistance.

**1. Accounting Period**
The period of time covered by the accounts, normally a period of twelve months commencing on 1 April.

**2. Actuarial Gains and Losses (Pensions)**
Changes in actuarial deficits or surpluses that arise because events have not coincided with previous actuarial assumptions or actuarial assumptions have changed.

**3. Asset**
An asset is categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset will provide benefit to Stirling Council and to the Services it provides for a period of more than one year.

**4. Associate**
An entity in which Stirling Council has a participating interest or over whose operating and financial policies Stirling Council is able to exercise significant influence.

**5. Capital Adjustment Account**
The Capital Adjustment Account relates to amounts set aside from capital resources to meet past expenditure.

**6. Capital Expenditure**
Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing non-current asset.

**7. Capital Financing**
The various methods used to finance capital expenditure such as borrowing, leasing, capital receipts, capital grants and use of revenue funding.

**8. Capital Grants Unapplied Account**
The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which Stirling Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

**9. Capital Receipt**
Proceeds from the disposal of land or other non-current assets.

**10. Capital Receipts Reserve**
The Capital Receipts Reserve represents the proceeds from non-current asset disposals not yet used and are available to meet future capital investment.

**11. Community Assets**
Assets that Stirling Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal, such as municipal parks.

**12. Corporate and Democratic Core**
The Corporate and Democratic Core comprises all activities, which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are therefore over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service.

**13. Creditor**
Amounts owed by Stirling Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

**14. Current Service Cost (Pensions)**
The increase in the present value of a defined benefit scheme's liabilities, expected to arise from employee service in the current period.

**15. Debtor**
Amount owed to Stirling Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

**16. Defined Benefit Pension Scheme**
Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**17. Depreciation**
The measure of the cost of wearing out, consumption or other reduction in the useful economic life of Stirling Council's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

**18. Discretionary Benefits (Pensions)**
Retirement awards, which the employer has no legal, contractual or constructive obligation to award and are awarded under Stirling Council's discretionary powers.

**19. Employee Statutory Adjustment Account**
The Employee Statutory Adjustment Account, which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

**20. Entity**
A body corporate, partnership, trust, unincorporated association, or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

**21. Events after the Balance Sheet Date**
Those events both favourable and unfavourable that occur between the Balance Sheet date and the date when the Annual Accounts are signed.

**22. Fair Value**
The fair value of an asset is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**23. Financial Instruments Adjustment Account**
The Financial Instruments Adjustment Account is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by Stirling Council.

**24. Finance Lease**
A lease that transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee.

**25. Government Grants**
Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of Stirling Council. These grants may be specific to a particular scheme or may support the revenue or capital spend of Stirling Council in general.

**26. Gross Expenditure**
This includes all expenditure attributable to the service and activity including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges.

**27. Gross Income**
This includes grant income and all charges to individuals and organisations for the direct use of Stirling Council's services.

**28. Heritage Asset**
An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

**29. Impairment**
A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

**30. Infrastructure Assets**
Assets belonging to Stirling Council represented by highways, footpaths and bridges.

**31. Insurance Fund**
The Insurance Fund covers the main classes of insurance and is earmarked for insurance purposes.

**32. Interest Cost (Pensions)**
For a defined benefit scheme, the expected increase during the period of the scheme liabilities because the benefits are one period closer to settlement.

**33. Inventories**
Items of raw materials and stock Stirling Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

**34. Joint Venture**
An entity in which Stirling Council has an interest on a long-term basis and is jointly controlled by Stirling Council and one or more entities under a contractual or other binding agreement.

**35. Liability**
A liability is where Stirling Council owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A long-term liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

**36. National Non-Domestic Rates Pool**
All Non Domestic Rates collected by local authorities are remitted to the national pool and thereafter distributed to Councils by the Scottish Government.

**37. Net Book Value**
The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**38. Non-Current Assets**
These are created by capital expenditure incurred by Stirling Council. They include property, vehicles, plant, machinery, roads, computer equipment, etc.

**39. Non-Distributed Costs**
Costs that cannot be allocated to specific services and are, therefore, excluded from the total cost relating to Service activity in

accordance with the Service Reporting Code of Practice. Charges for added pension years and early retirement are examples of these costs.

**40. Operating Lease**
A lease where the ownership of a non-current asset remains with the lessor.

**41. Past Service Cost (Pensions)**
For a defined benefit scheme, the increase in the present value of the scheme liabilities relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

**42. Pension Reserve**
The Pension Reserve arises from the AIS19 accounting disclosures for retirement benefits and recognises Stirling Council's share of actuarial gains and losses in the Falkirk Pension Fund and the change in Stirling Council's share of the Pension Fund net liability chargeable to the Comprehensive Income and Expenditure Statement.

**43. Pension Scheme Liabilities**
The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. The scheme liabilities, measured using the "projected unit method" reflect the benefits that the employer is committed to provide for service up to the valuation date.

**44. Post-Employment Benefits**
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment (e.g. pensions in retirement).

**45. Prior Year Adjustment**
Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**46. Provision**
An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

**47. Public Works Loan Board (PWLB)**
A Central Government Agency, which provides loans for one year and above to Councils at interest rates only based on those at which the Government can borrow itself.

**48. Rateable Value**
The annual assumed rental of a non-housing property, which is for national Non Domestic Rates purposes.

**49. Related Parties**
Entities or individuals that have the potential to control or influence Stirling Council, or to be controlled or influenced by Stirling Council.

**50. Remuneration**
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

**51. Repairs and Renewal Fund**
The Repairs and Renewal Fund provides for major repairs to the Waste Transfer Station at Lower Polmaise and Stirling Council's sports facilities.

**52. Reserves**
The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of Stirling Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

**53. Residual Value**
The net realisable value of an asset at the end of its useful life.

**54. Revaluation Reserve**
The Revaluation Reserve represents the store of gains on revaluation of non-current assets not yet realised through sales.

**55. Revenue Expenditure**
The day-to-day running costs associated with the provision of services.

**56. Significant Interest**
The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy and/or operational decisions.

**57. Soft Loan**
A loan made by Stirling Council to another entity at an interest rate significantly below market interest rates.

**58. Subsidiary**
An entity over which Stirling Council has overall control through the power to govern its financial and operating policies so as to obtain benefits from the entity's activities.

**Stirling Council**

Agenda Item No. 16

Audit Committee

Date of Meeting: 29 August 2024

Not Exempt

# Draft Accounts for Charitable Trusts 2023/24

## Purpose

The purpose of this report is to ask Audit Committee to consider the draft accounts for the Council's Charitable Trusts prior to their submission to the external auditor. In terms of the Council's Scheme of Delegation, the Audit Committee has responsibility for considering the draft Annual Statement of Accounts of the charitable trusts administered by Stirling Council. t

## Recommendations

Audit Committee is asked to:

1. consider the draft accounts of the Council's Charitable Trusts prior to their submission to the external auditor.

## Resource Implications

The proposed audit fee for the 2023/24 audit of the Charitable Trust accounts has yet to be agreed with the external auditor.

## Legal & Risk Implications

In terms of the Council's Scheme of Delegation, the Audit Committee has responsibility for considering the draft Annual Statement of Accounts of the charitable trusts administered by Stirling Council.

## 1. Background

1.1. The draft Charitable Trusts Accounts for the year to 31 March 2024 have been prepared for audit. The draft accounts require to be submitted to the appointed auditor no later than 30 June 2024, and that Elected Members must consider the unaudited accounts at a meeting to be held no later than 31 August 2024.

1.2. Electronic copies of the draft accounts will be emailed to all Members and also placed on the public website.

## 2. Considerations

2.1 Stirling Council is responsible for administering the Dunblane Cemetery Memorial Garden (Maintenance) Trust, and a further 10 small Charitable Trusts. Each of the Charitable Trust Funds is registered as a charity with the Scottish Charity Regulator.

2.2 Charities are connected if they have common or related purposes, or shared management. Stirling Council acts as sole Trustee to 10 individual small charitable trusts. On the basis of this shared management arrangement, the financial results of the 10 individual small charitable trusts can be consolidated into a single set of accounts for audit purposes, which in turn significantly reduces audit costs.

2.3 Total balances held by the Charitable Trusts as at 31 March 2024 are as follows:

| | **£'000** |
|---|---|
| Stirling Council Small Charitable Trusts | 59 |
| Dunblane Cemetery Memorial Garden (Maintenance) Trust | 139 |
| **Total Charitable Trusts** | **198** |

2.4 The draft accounts of both the Stirling Council Small Charitable Trusts and the Dunblane Cemetery Memorial Garden (Maintenance) Trust are appended to this report.

**Reorganisation of Charities**

2.5 The Council has been conducting a review of all small charitable trusts with the objective of reorganising these into fewer charities, and/or transferring the balances held to other charitable organisations who may be better placed to meet the purposes for which the trusts were originally established, all as permitted for under charities legislation.

2.6 Although a number of small charitable trusts have already been subject to review and repurposed following the approval of OSCR, the work to review the remaining 10 small charitable trusts is still to be completed. Unfortunately, due to other competing workloads, officers have been unable to finalise this exercise within the originally intended timescales.

2.7 The Council's Legal and Finance teams will now recommence work with services with the intention of completing the review during 2024/25. A significant element of this exercise requires the review of the assets held by each small trust. These assets vary across the individual charities, ranging from simple monetary funds, to complex heritable ground, property and historical monuments. Once this review is complete, relevant application forms setting out proposals for the reorganisation of each of the individual charities' balances or assets will be compiled and submitted to OSCR for their approval.

2.8 OSCR has indicated a time period of between 3 to 6 months to process and approve applications for reorganisation, being dependent on the size and complexity of the charities and their respective assets.

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required as the report is a technical report presenting the 2023/24 Charitable Trusts Accounts and does not have any implications on current policies or service delivery.

### Climate Change, Sustainability and Environmental Impact

3.2 There is no impact on the Council's duty relating to climate change, nor is there any direct sustainability or environmental impact as a result of this report.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

### External Consultations

3.4 None.

## 4. Background Papers

4.1 EqSIA Screening.

## 5. Appendices

5.1 Appendix 1 - Stirling Council Consolidated Small Charitable Trusts 2023/24.

5.2 Appendix 2 - Dunblane Cemetery Memorial Garden (Maintenance) Trust 2023/24.

Author(s)

| Name | Designation | Telephone Number/E-mail |
|---|---|---|
| George Murphy | Finance Service Manager<br>(Acting Section 95 Officer) | 01786 233356<br><br>murphyg@stirling.gov.uk |

Approved by

| Name | Designation | Date |
|---|---|---|
| Caroline Sinclair | Chief Executive | 19 August 2024 |

| | |
|---|---|
| Details of Convener(s) and Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | Not applicable |
| Key Priorities: | 4. Developing a competitive and thriving sustainable local economy across Stirling. |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | Prosperous - People are part of a prosperous economy that promotes inclusive growth opportunities across our communities |

**Appendix 1**

# Stirling Council

# Consolidated Small Charitable Trusts

## Annual Report and Financial Statements

## For the Year Ended 31 March 2024

## Subject to Audit

**Contents**


| | Page |
|---|---|
| Trustees Annual Report | 3 |
| Statement of Receipts and Payments | 6 |
| Statement of Balances | 6 |
| Notes to the Financial Statements | 7 |
| Independent Auditor's Report | 10 |

# Trustees Annual Report
## For the Year Ended 31 March 2024

Section 106 of the Local Government (Scotland) Act 1973 applies the accounting and audit requirements of the Act to any trust fund where an authority or some members of the authority are the sole trustees. Local authorities administer a number of such trust funds some of which are registered as charities with the Office of the Scottish Charity Regulator (OSCR).

The preparation and audit of financial statements prepared by registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 (the 2005 Act) and The Charities Accounts (Scotland) Regulations 2006 (the 2006 regulations). The 2006 regulations require charities to prepare a statement of account, and require an accompanying auditor's report where any legislation requires an audit. As section 106 requires an audit, the appointments of local authority auditors have been extended to include the provision of an auditor's report for charitable funds covered by that section.

Regulation 7 of the 2006 regulations permits connected charities to prepare a single set of accounts. Charities are connected if they have common or related purposes, or shared management. Stirling Council acts as sole trustee to a number of individual small charitable trusts, and on the basis of this shared management arrangement, the Council has taken the decision to consolidate the results of the individual small charitable trusts into a single set of accounts for audit purposes.

The Trustees have pleasure in presenting their report, together with the consolidated financial results of the individual small charitable trusts for the year ended 31 March 2024.

## Structure, Governance and Management

**Constitution**
Each Charity is an unincorporated association governed by its constitution. The respective date of constitution for each individual Charity is outlined in the table on page 5.

It should be noted that the governing documents are not available for all charities as these have been lost over time. Funds are not used for any purpose other than the charitable purpose.

**Trustees**
Stirling Council is sole Trustee, and acting as a corporate body, makes decisions in accordance with its Scheme of Delegation. The Scheme of Delegation does not make provision for decisions in respect of each Charity to be made by a Committee, Sub-Committee, or Officer. As a result, power to make decisions is reserved to Council and is exercised through meetings of the full Council.

**Trust Management**
The Council's Chief Officer Finance as the proper officer for the administration of its financial affairs in terms of section 95 of the Local Government (Scotland) Act 1973 is also the proper officer in respect of the financial affairs of each Charity. The Chief Officer Governance & Solicitor to the Council as the proper officer in respect of the authentication of documents in terms of section 193 of the Local Government (Scotland) Act 1973 is also the proper officer in respect of the authentication of documents of each Charity.

**Trust Address**
c/o Julia McAfee
Chief Officer Governance & Solicitor to the Council
Stirling Council
Viewforth
Stirling FK8 2ET

**Trust Officers**

George Murphy
Finance Service Manager (Acting S.95 Officer)
Stirling Council

Julia McAfee
Chief Officer Governance & Solicitor to the Council
Stirling Council

**Independent Auditor**
Deloitte LLP

## Trustees' Responsibilities for the Financial Statements

Charity law applicable in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the Charity's financial activities during the year and of its financial position at the end of the year.

In preparing these financial statements, the Trustees have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the Financial Statements on the going concern basis.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005 and Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant financial or other information that has not been provided to the charity's independent auditor; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant financial or other information and to establish that the independent auditor is aware of that information.

## Reorganisation of Charities

Chapter 5 of The Charities Act 2005 provides for the reorganisation of charities, including amalgamation or winding up. The Council is currently progressing a review of all small charitable trusts with the objective of reorganising these into fewer charities, and/or transferring the balances held to other charitable organisations who may be better placed to meet the purposes for which the trusts were originally established.

The Council continues to work with OSCR to develop proposals and reach agreement for the transfer of the remaining 10 small charitable trust balances (as outlined in the following tables). Until then, the trustees will continue to ensure that individual Charity balances are invested for the benefit of each Charity, and will be held and used in accordance with each Charity's objectives.

| Charity No. | Constituted | Charity Name | Charitable Purpose |
|---|---|---|---|
| SC019346 | 1900 | MacFarlane Free Library Endowment Fund | To provide a free library for the inhabitants of Stirling, and in particular, the working and poorer classes. |
| SC019348 | 1981 | The Village Club Strathblane | To provide a village club with reading room, library and recreation facilities for the inhabitants of Strathblane. |
| SC019349 | 1863 | William Drummond Trust for Upkeep of Wigtownshire Martyrs Monument | For the maintenance and upkeep of the Wigtownshire Martyrs Monument, together with the walks and grounds within the Valley Cemetery, Stirling. |
| SC019351 | 1943 | Miss Victoria M Anderson Trust | For the purpose of improving the amenity of Stirling Castle, including in particular the Back Walk. |
| SC019352 | 1966 | Miss Catherine C Halley Bequest | For the benefit of persons with physical disabilities and/or mental health needs. |
| SC019353 | 1921 | Rev Dr John Ebenezer Honeyman Thomson Bequest for Stirling Public Library | For the purpose of providing books of a religious nature to Stirling Public Library. |
| SC019356 | 1938 | Gargunnock Rest Garden Fund | For the purpose of providing an area of recreational ground at Gargunnock for the benefit of children and the elderly. |
| SC019361 | 1925 | Killearn War Memorial Fund | For the purpose of the maintenance and upkeep of the Killearn war memorial. |
| SC023022 | 1920 | Strathblane War Memorial Fund | For the purpose of the maintenance and upkeep of the Strathblane war memorial. |

Charity SC025090 (Stirling Council Charitable Trusts) was established generally for the provision of relief to those in need by reason of age, ill health, disability, financial hardship or other disadvantage. The Charity however encompasses a number of small individual sub-funds, each with their own particular purpose.

| Charity No. | Constituted | Charity Name | Charitable Purpose |
|---|---|---|---|
| SC025090 | 2006 | Lair Purchase | For the benefit of the poor (no geographical information) |
| SC025090 | 2006 | Batterflats Home Comforts | For the benefit of the residents of Batterflats Home |
| SC025090 | 2006 | Stirling OAP Treat Fund | For the benefit of the OAPs of Stirling |
| SC025090 | 2006 | Blind Persons' Fund | For the benefit of blind persons |
| SC025090 | 2006 | Maintenance of Lairs | For the maintenance of specific individuals' cemetery lairs |
| SC025090 | 2006 | George.C. Thomson Bequest | For amenity improvements in Callander |
| SC025090 | 2006 | Dunblane Institute | For the benefit of the people of Dunblane |
| SC025090 | 2006 | Miss C Whitehead Bequest | For the provision of coal to the poor of Dunblane |
| SC025090 | 2006 | Kate S Neilson Bequest | For the enhancement of Dunblane |
| SC025090 | 2006 | Strathblane Tennis Club | For the benefit of the people of Strathblane |
| SC025090 | 2006 | Water of Endrick | For the benefit of the poor of Water of Endrick |
| SC025090 | 2006 | Perth & Kinross Education | For the benefit of the people of Dunblane |
| SC025090 | 2006 | Miss Margaret Ogilvie Bequest | For the benefit of the poor (no geographical information) |
| SC025090 | 2006 | Cornton Community Council | For the benefit of the people of Cornton |

## Financial Review

No monies were disbursed from any of the 10 charities during 2023/24. Income earned across all charities in 2023/24 totalled £2,861 (£1,580, 2022/23) representing interest received on funds invested in Stirling Council's Loans Fund. Total Funds held by all charities stood at £59,310 as at 31 March 2024 (£56,449, 31 March 2023). All funds were invested in Stirling Council's Loans Fund.

The Village Club, Strathblane property was revalued during the year and resulted in a net reduction in valuation of £60,282. The valuation was carried out by BNP Paribas Real Estate UK.

**Reserves Policy**

Reserves may only be used for specific purposes relating to each Trust's objectives. The revaluation reserve balance of £390,000 reflects the initial recognition of the Village Club, Strathblane property within these accounts, together with all subsequent revaluations carried out on the asset.

The report was signed on behalf of the trustees.

Julia McAfee
Chief Officer Governance & Solicitor to the Council

## Statement of Receipts and Payments - For the Year Ended 31 March 2024

| | | Total 2023/24 £ | Total 2022/23 £ |
|---|---|---|---|
| **Voluntary Receipts** | | | |
| Investment Income - Stirling Council | Note 4 | (2,861) | (1,580) |
| **Total Receipts** | Note 4 | **(2,861)** | **(1,580)** |
| **Surplus For the Year** | Note 4 | **(2,861)** | **(1,580)** |

## Statement of Balances - As at 31 March 2024

| | | Total 2023/24 £ | Total 2022/23 £ |
|---|---|---|---|
| **Funds Reconciliation** | | | |
| Total Funds - opening balance | Note 5 | (56,449) | (54,869) |
| Surplus For the Year | Note 4 | (2,861) | (1,580) |
| **Total Funds - closing balance** | Note 5 | **(59,310)** | **(56,449)** |
| **Cash & Bank Balances** | | | |
| Investments - Stirling Council Loans Fund | Note 5 | 59,310 | 56,449 |
| **Total Cash & Bank Balances** | Note 5 | **59,310** | **56,449** |
| **Other Assets - Village Club, Strathblane** | Note 3 | **390,000** | **450,282** |
| **Liabilities - Revaluation Reserve** | Note 3 | **(390,000)** | **(450,282)** |

All funds are restricted meaning that they may only be used for specific purposes

The notes on pages 7 to 9 form an integral part of these accounts.

The unaudited accounts were issued on 3 July 2024.

Signed on behalf of the trustees.

_____
George Murphy
Finance Service Manager (Acting S.95 Officer)

_____
Julia McAfee
Chief Officer Governance & Solicitor to the Council

## Notes to the Financial Statements

### 1. Basis of Preparation and Assessment of Going Concern

These accounts have been prepared on the Receipts & Payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

### 2. Nature and Purpose of Funds

Restricted funds may only be used for specific purposes. Restrictions arise when specified by a donor or when funds are raised for specific purposes.

Charity SC025090 (Stirling Council Charitable Trusts) encompasses a number of small individual sub-funds, each with their own particular purpose. For this reason, the sub-funds listed in Note 4 are thereby classified as restricted since the monies in one sub-fund cannot be applied to purposes within another sub-fund.

For a number of the charitable trusts there are no governing documents, therefore as a prudent approach, all the funds of these trusts have been classified as restricted.

### 3. Fixed Assets

Fixed Assets comprise the Village Club building in Strathblane. Stirling Council does not own the property but holds it as the trustee in accordance with the trust deeds of the Village Club Strathblane charitable trust, which requires the building to be made available for the provision of a village club with reading room, library and recreation facilities for the inhabitants of Strathblane.

The revaluation reserve balance reflects the initial recognition of the Village Club property within these accounts, together with subsequent revaluations carried out on the asset. Depreciation is not charged on the property as revaluations of the property are carried out on an annual basis. The revaluation exercise for 2023/24 resulted in a reduction in the carrying value of the asset of £60,282, from £450,282 to £390,000.

### 4. Surplus for the Year

The following table shows the Surplus for the Year of £2,861 (2022/23, Surplus £1,580) analysed by sources of income received by each individual charity. No expenditure was incurred in either 2022/23 or 2023/24.

| | **2023/24** | | **2022/23** | |
|---|---|---|---|---|
| | **Stirling Council Interest** | **Net Surplus** | **Stirling Council Interest** | **Net Surplus** |
| | **£** | **£** | **£** | **£** |
| MacFarlane Free Library | (325) | **(325)** | (179) | **(179)** |
| The Village Club Strathblane | (82) | **(82)** | (46) | **(46)** |
| William Drummond Trust | (79) | **(79)** | (44) | **(44)** |
| Miss Victoria M Anderson Trust | (127) | **(127)** | (71) | **(71)** |
| Miss Catherine C Halley Bequest | (245) | **(245)** | (136) | **(136)** |
| Rev Dr JEH Thomson Bequest | (290) | **(290)** | (160) | **(160)** |
| Gargunnock Rest Garden Fund | (72) | **(72)** | (39) | **(39)** |
| Killearn War Memorial Fund | (84) | **(84)** | (46) | **(46)** |
| Stirling Council Charitable Trusts **(see note below)** | (1,557) | **(1,557)** | (859) | **(859)** |
| **Total Income** | **(2,861)** | **(2,861)** | **(1,580)** | **(1,580)** |

**Note**: Income earned by each of the individual sub-funds consolidated within Charity SC025090 (Stirling Council Charitable Trusts) is as follows:

| | 2023/24 | | 2022/23 | |
|---|---|---|---|---|
| | **Stirling Council Interest** | **Total Income** | **Stirling Council Interest** | **Total Income** |
| | **£** | **£** | **£** | **£** |
| Lair Purchase | (2) | **(2)** | (1) | **(1)** |
| Batterflats Home Comforts | (21) | **(21)** | (11) | **(11)** |
| Stirling OAP Treat Fund | (25) | **(25)** | (14) | **(14)** |
| Blind Persons' Fund | (23) | **(23)** | (13) | **(13)** |
| Maintenance of Lairs | (446) | **(446)** | (245) | **(245)** |
| George C Thomson Bequest | (440) | **(440)** | (243) | **(243)** |
| Dunblane Institute | (16) | **(16)** | (9) | **(9)** |
| Miss C Whitehead Bequest | (29) | **(29)** | (16) | **(16)** |
| Kate S Neilson Bequest | (290) | **(290)** | (161) | **(161)** |
| Strathblane Tennis Club | (96) | **(96)** | (53) | **(53)** |
| Water of Endrick | (34) | **(34)** | (19) | **(19)** |
| Perth & Kinross Education | (36) | **(36)** | (20) | **(20)** |
| Miss Margaret Ogilvie Bequest | (67) | **(67)** | (37) | **(37)** |
| Cornton Community Council | (32) | **(32)** | (17) | **(17)** |
| **Total Income** | **(1,557)** | **(1,557)** | **(859)** | **(859)** |

## 5. Total Funds

The following table shows Total Funds of £59,310 as at 31 March 2024 (£56,449, 31 March 2023) analysed across each individual charity.

| | **Stirling Council Loans Fund** | **Total Funds 31/3/24** | **Stirling Council Loans Fund** | **Total Funds 31/3/23** |
|---|---|---|---|---|
| | **£** | **£** | **£** | **£** |
| MacFarlane Free Library | (6,737) | **(6,737)** | (6,412) | **(6,412)** |
| The Village Club Strathblane | (1,701) | **(1,701)** | (1,619) | **(1,619)** |
| William Drummond Trust | (1,649) | **(1,649)** | (1,570) | **(1,570)** |
| Miss Victoria M Anderson Trust | (2,640) | **(2,640)** | (2,513) | **(2,513)** |
| Miss Catherine C Halley Bequest | (5,090) | **(5,090)** | (4,845) | **(4,845)** |
| Rev Dr JEH Thomson Bequest | (6,006) | **(6,006)** | (5,716) | **(5,716)** |
| Gargunnock Rest Garden Fund | (1,481) | **(1,481)** | (1,409) | **(1,409)** |
| Killearn War Memorial Fund | (1,736) | **(1,736)** | (1,652) | **(1,652)** |
| Stirling Council Charitable Trusts **(see note below)** | (32,270) | **(32,270)** | (30,713) | **(30,713)** |
| **Total Funds** | **(59,310)** | **(59,310)** | **(56,449)** | **(56,449)** |

**Note**: Total Funds held in the name of each of the individual sub-funds consolidated within Charity SC025090 (Stirling Council Charitable Trusts) are as follows:

| | Stirling Council Loans Fund £ | Total Funds 31/3/24 £ | Stirling Council Loans Fund £ | Total Funds 31/3/23 £ |
|---|---|---|---|---|
| Lair Purchase | (34) | **(34)** | (32) | **(32)** |
| Batterflats Home Comforts | (426) | **(426)** | (405) | **(405)** |
| Stirling OAP Treat Fund | (524) | **(524)** | (499) | **(499)** |
| Blind Persons' Fund | (480) | **(480)** | (457) | **(457)** |
| Maintenance of Lairs | (9,231) | **(9,231)** | (8,785) | **(8,785)** |
| George C Thomson Bequest | (9,128) | **(9,128)** | (8,688) | **(8,688)** |
| Dunblane Institute | (340) | **(340)** | (324) | **(324)** |
| Miss C Whitehead Bequest | (602) | **(602)** | (573) | **(573)** |
| Kate S Neilson Bequest | (6,020) | **(6,020)** | (5,730) | **(5,730)** |
| Strathblane Tennis Club | (1,984) | **(1,984)** | (1,888) | **(1,888)** |
| Water of Endrick | (712) | **(712)** | (678) | **(678)** |
| Perth & Kinross Education | (751) | **(751)** | (715) | **(715)** |
| Miss Margaret Ogilvie Bequest | (1,384) | **(1,384)** | (1,317) | **(1,317)** |
| Cornton Community Council | (654) | **(654)** | (622) | **(622)** |
| **Total Funds** | **(32,270)** | **(32,270)** | **(30,713)** | **(30,713)** |

## 6. Revenue Recognition

Interest income received on Investments is recognised in the financial period in which the interest is received.

## 7. Related Party Transactions

The Council, as trustees, has not charged any of the trusts for legal, financial or administrative services provided during 2023/24 (£Nil, 2022/23).

No trustee or any person connected to them received remuneration or expenses from any of the trusts during 2023/24 (£Nil, 2022/23).

Interest income of £2,861 was earned in 2023/24 from funds invested with Stirling Council's Loans Fund (£1,580, 2022/23).

## 8. Audit Fees

Although paid by Stirling Council, fees directly attributable to the Consolidated Small Charitable Trusts in respect of external audit services carried out by the appointed auditor amounted to £tbc in 2023/24 (2022/23, £4,000).

## Independent auditor's report to the trustees of Stirling Council Consolidated Small Charitable Trusts and the Accounts Commission

### Report on the audit of the financial statements

**To follow**

**Appendix 2**

# Dunblane Cemetery Memorial Garden (Maintenance) Trust

## Scottish Charity SC029443

## Annual Report of the Trustees

## and

## Financial Statements

## For Year Ended 31 March 2024

## Subject to Audit

## Contents

| | Page |
|---|---|
| Report of the Charity Trustees | 3 |
| Statement of Financial Activities | 5 |
| Balance Sheet | 5 |
| Notes to the Financial Statements | 6 |
| Independent Auditor's Report | 7 |

# Report of the Trustees for the Year Ended 31 March 2024

## Introduction

The Trustees present their report with the financial statements of the Dunblane Cemetery Memorial Garden (Maintenance) Trust (the Trust) for the year ended 31 March 2024.

The Trust is a registered Scottish charity with Scottish Charity number SC 029443.

## Reference and Administrative Information

**Charity Name**
Dunblane Cemetery Memorial Garden (Maintenance) Trust

**Charity Number**
SC 029443

**Correspondence Address**
c/o Julia McAfee
Chief Officer Governance & Solicitor to the Council
Stirling Council
Viewforth
STIRLING FK8 2ET

**Trustees**
Councillor Robin Kleinman
Councillor Alasdair Tollemache
Councillor Thomas Heald
Mr Martyn Dunn
Mr Kenneth Ross

**Trust Officers**
Claire Ferguson
Solicitor
Stirling Council

George Murphy
Finance Service Manager
Stirling Council

Thomas Rennie
Cemeteries Supervisor
Stirling Council

**Bankers**
The Royal Bank of Scotland PLC
Units 22/23, Thistles Shopping Centre,
STIRLING
FK8 2EA

**Independent Auditor**
Deloitte LLP

## Structure, Governance and Management

The charity is constituted as a Trust and as such its governing document is a Deed of Trust dated 12 and 14 July 1999.

The minimum number of trustees is two with no maximum number set, however should there be a single trustee, additional trustees shall forthwith be appointed. Providing that the minimum number of trustees is in office the trustees may from time to time exercise all or any of the trust's powers and discretions.

The Solicitor to the Council has been appointed as Honorary Secretary. All administrative work in relation to the Charity is conducted by Stirling Council.

## Trustees' Responsibilities for the Financial Statements

Charity law applicable in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the Charity's financial activities during the year and of its financial position at the end of the year.

In preparing these financial statements, the Trustees have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed the Charities Statement of Recommended Practice (SORP): Financial Reporting Standard 102 (FRS 102); and
- prepared the Financial Statements on the going concern basis.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts have been prepared on an accruals basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006, using the accruals concept of accounting and in accordance with Financial Reporting Standard 102 (FRS 102).

In so far as the Trustees are aware:

- there is no relevant financial or other information that has not been provided to the charity's independent auditor; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant financial or other information and to establish that the independent auditor is aware of that information.

## Objectives

The Trust was established in July 1999 by the trustees of the former Dunblane Fund and the former Stirling Observer Dunblane Help Fund. The purpose of the Trust as set out in Clause 3 of the founding deed is to hold the Trust Fund in memory of the tragedy which occurred at Dunblane Primary School in March 1996 and:

- To assist in the maintenance, upkeep and repair of the Dunblane Cemetery Memorial Garden
- To carry out improvements to the Garden as the Trustees may, from time to time at their sole discretion, consider either necessary or desirable which may include the execution or carrying out of works more specifically provided for in the Schedule attached to the Deed of Trust.

## Achievements and Performance

The Memorial has been maintained throughout the year to the level of service that is requested by the Trustees at a total cost of £4,270.

## Review of Financial Position

The income of the Trust for the year represents interest of £6,810 from balances invested in Stirling Council's Loans Fund. The total of the reserves of the Trust stands at £139,069 as at 31 March 2024. The reserves are held to provide the financial assistance to maintain the Memorial in such a state that benefits the community of Dunblane. As at 31 March 2024, all reserve balances were invested in Stirling Council's Loans Fund.

The report was signed on behalf of the Trustees.

Councillor Alasdair Tollemache
Trustee

## Statement of Financial Activities for the Year Ended 31 March 2024

| | 2023-24 | 2022-23 |
|---|---|---|
| | £ | £ |
| **Income** | | |
| Interest & Investment Income | (6,810) | (3,852) |
| **Total Income** | **(6,810)** | **(3,852)** |
| **Expenditure on Charitable Activities** | | |
| Water Feature Costs | | |
| Servicing | 3,075 | 1,380 |
| Electricity Supply for Fountain | 1,195 | 421 |
| **Total Expenditure** | **4,270** | **1,801** |
| **Net Movement In Funds** | **(2,540)** | **(2,051)** |
| **Funds Reconciliation:** | | |
| Net Movement In Funds | 2,540 | 2,051 |
| Total Funds Brought Forward | 136,529 | 134,478 |
| **Total Funds Carried Forward** | **139,069** | **136,529** |

## Balance Sheet as at 31 March 2024

| | | 2024 | 2023 |
|---|---|---|---|
| | | £ | £ |
| **Current Assets** | | | |
| Investment with Stirling Council's Loans Fund | Note 2 | 139,313 | 136,955 |
| **Total Current Assets** | | **139,313** | **136,955** |
| **Current Liabilities** | | | |
| Creditors Falling Due Within One Year | Note 3 | (244) | (426) |
| **Total Current Liabilities** | | **(244)** | **(426)** |
| **Total Net Assets** | | **139,069** | **136,529** |
| **The Funds of the Charity** | | | |
| Unrestricted Income Funds | | 139,069 | 136,529 |
| **Total Charity Funds** | | **139,069** | **136,529** |

All funds are unrestricted meaning that they may be used at the discretion of the trustees in the furtherance of the objectives of the charity.

The unaudited accounts were issued on 3 July 2024.

Signed on behalf of the trustees.

Councillor Alasdair Tollemache
Trustee

# Notes to the Financial Statements

## 1. Basis of Preparation and Assessment of Going Concern

The accounts (financial statements) have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern.

**Taxation**
The Trust has charitable status for tax purposes.

**Nature and Purpose of Funds**
Unrestricted funds are those that may be used at the discretion of the trustees in the furtherance of the objects of the charity.

## 2. Current Assets

In accordance with the decision by the trustees, the Fund balance is invested to provide instant access to funds via Stirling Council's Loans Fund for day to day expenditure.

## 3. Current Liabilities

Current liabilities as at 31 March 2024 are as follows:

| | 31 March 2024 £ | 31 March 2023 £ |
|---|---|---|
| Electricity Charge | 244 | 66 |
| Ritchie McKenzie - Service Check On Water Feature | - | 360 |
| | **244** | **426** |

## 4. Trustees' Remuneration

No trustee or any person connected to them received remuneration or expenses reimbursed from the Trust during any of the past two years.

## 5. Related Party Transactions

Stirling Council provides a range of legal, financial and administrative services for the Trust without charge.

These services include the arrangement of contracts for the upkeep of the Memorial Garden and water fountain, together with garden maintenance costs including grass-cutting and other ground maintenance services.

The Trust received interest income of £6,810 in 2023/24 (2022/23, £3,852) from balances invested in Stirling Council's Loans Fund.

## 6. Income Recognition

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Interest on funds held on deposit with the Stirling Council Loans Fund is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest payable by the Council's Treasury Manager.

**7. Expenditure Recognition**

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis.

**8. Audit Fees**

Although paid by Stirling Council, fees directly attributable to the Dunblane Cemetery Memorial Garden (Maintenance) Trust in respect of external audit services carried out by the appointed auditor amounted to £tbc in 2023/24 (2022/23, £4,000).

# Independent auditor's report to the trustees of Dunblane Cemetery Memorial Garden (Maintenance) Trust and the Accounts Commission

## Report on the audit of the financial statements

**To follow**

**Stirling Council**

Agenda Item No. 17

Audit Committee

Date of Meeting: 29 August 2024

Not Exempt

# Stirling Council External Audit Plan 2023/24

## Purpose

The purpose of this report is to present to the Audit Committee the appointed external auditor's External Audit Plan 2023/24 (the Plan). The Plan sets out the external audit work to be undertaken in relation to the financial year 2023/24.

Consideration of the Plan supports the Audit Committee in discharging its responsibility in terms of the Council's Scheme of Delegation to consider the reports of the appointed external auditor and other inspection agencies.

## Recommendations

Audit Committee is asked to:

1. consider and comment on the planned audit work to be undertaken as outlined in the Annual External Audit Plan 2023/24; and
2. note it is currently anticipated that the findings from the external auditor's work will be reported to the Audit Committee in January 2025.

## Resource Implications

The proposed fee for the 2023/24 audit of Stirling Council is £306,480. The proposed audit fee for the 2023/24 audit of the Charitable Trust accounts has yet to be agreed with the external auditor.

## Legal & Risk Implications

The Audit Committee has delegated authority to consider the reports of the appointed external auditor and other inspection agencies, as set out in Appendix 5a of the Council's Scheme of Delegation.

## 1. Background

1.1. The Plan at Appendix 1 contains an overview of the planned scope and timing of the 2023/24 audit which will be carried out in accordance with International Standards on Auditing (ISAs) and the Code of Audit Practice.

1.2. The Plan sets out the work necessary to allow the external auditor to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit.

1.3. The wider scope requirements of public audit contributes to assessments and conclusions on financial management; financial sustainability; vision, leadership and governance; use of resources to improve outcomes.

## 2. Considerations

2.1 Based on the external auditor's discussions with staff and a review of supporting information, a number of main risk areas for Stirling Council have been identified. The key audit risks, which will require specific audit testing, are detailed on pages 13-16 of the Plan, with other areas of audit focus set out in pages 17-18.

2.2 The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the areas of financial management; financial sustainability; vision, leadership and governance; use of resources to improve outcomes. The audit work on the wider-scope areas, discussed on pages 19-25 of the Plan, will contribute to the external auditor's consideration of how the council demonstrates that it is meeting its Best Value responsibilities.

2.3 The external auditor will provide an independent auditor's report to Stirling Council and the Accounts Commission setting out their opinion on the annual accounts, including observations and recommendations on significant matters which have arisen during the audit. It is anticipated that this report will be presented to the Audit Committee in January 2025.

## 3. Implications

### Equality and Socio-Economic Impact

3.1 The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required as the report is a technical report presenting the Stirling Council Audit Plan 2023/24, and does not have any implications on current policies or service delivery.

### Climate Change, Sustainability and Environmental Impact

3.2 There is no impact on the Council's duty relating to climate change, nor is there any direct sustainability or environmental impact as a result of this report.

### Other Policy Implications

3.3 Following consideration of the policy implications of this report no relevant issues have been identified.

### External Consultations

3.4 None.

## 4. Background Papers

4.1 EqSIA Screening.

# 5. Appendices

5.1 Appendix 1 - Stirling Council Draft Audit Plan 2023/24.

Author(s)

| Name | Designation | Telephone Number/E-mail |
|---|---|---|
| George Murphy | Finance Service Manager (Acting Section 95 Officer) | 01786 233356<br><br>murphyg@stirling.gov.uk |

Approved by

| Name | Designation | Date |
|---|---|---|
| Caroline Sinclair | Chief Executive | 19 August 2024 |

| | |
|---|---|
| Details of Convener(s) and Vice Convener(s) consulted on this report: | Councillor Scott Farmer<br>Councillor Rosemary Fraser |

| | |
|---|---|
| Wards affected: | Not applicable |
| Key Priorities: | 4. Developing a competitive and thriving sustainable local economy across Stirling. |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | Prosperous - People are part of a prosperous economy that promotes inclusive growth opportunities across our communities |

Deloitte.

Appendix 1

# Stirling Council

**Planning report to the Audit Committee on the 2023/24 audit,**
**– Issued on 9 August 2024 for the meeting on 29 August 2024**

# Contents

## 01 Planning report


Introduction 3
Responsibilities of the Audit Committee 5
Our audit explained 6
An audit tailored to you 7
Continuous communication and reporting 8
Materiality 9
Scope of work and approach 10
Your Control Environment 12
Significant risks 13
Other area of audit focus 17
Wider scope requirements 19
Reporting hot topics 26
Audit quality 30
Purpose of our report and responsibility statement 33


## 02 Technical and sector update


Sector developments 34


## 03 Appendices


Prior year audit adjustments 46
Our other responsibilities explained 47
Independence and fees 49

# 1.1 Introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our planning report to the Audit Committee ("the Committee") of Stirling Council ("the Council") for the 2023/24 audit. I would like to draw your attention to the key messages of this paper:

**Audit plan**

We have updated our understanding of the Council, including discussion with management and review of relevant documentation from across the Council.

Based on these procedures, we have developed this plan in collaboration with the Council to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the Council.

**Key risks**

We have taken an initial view as to the significant audit risks the Council faces. These are presented as a summary dashboard on page 13.

**Wider scope requirements**

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks.

In carrying out our risk assessment, we have considered the arrangements in place for each area, building on any findings and conclusions from the 2022/23 audit, planning guidance from Audit Scotland and developments within the organisation during the year. Our wider scope significant risks are presented on pages 20 to 25. As part of this work, we will consider the arrangements in place to secure Best Value (BV).

# 1.2 Introduction (continued)

## The key messages in this report (continued)

**Regulatory change**

Councils can voluntarily adopt IFRS 16, Leases, in 2023/24, with mandatory adoption from 2024/25. This will require adjustments to recognise on balance sheet arrangements currently treated as operating leases. Stirling Council has chosen to adopt IFRS 16 from 2024/25 when it becomes mandatory. Further details are provided on page 17.

**Our commitment to quality**

We are committed to providing the highest quality audit, with input from our market leading specialists, sophisticated data analytics and our wealth of experience.

**Added value**

Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

We have also shared our recent research, informed perspectives and best practice from our work across the wider public sector on pages 26 to 29 of this plan.

**Pat Kenny**
**Associate Partner**

# 2 Responsibilities of the Audit Committee

## Helping you fulfil your responsibilities

Why do we interact with the Audit Committee?

- To communicate audit scope
- To provide timely and relevant observations
- To provide additional information to help you fulfil your broader responsibilities

As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit Committee in fulfilling its remit.

**Oversight of external audit**

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.
- Implement a policy on the engagement of the external auditor to supply non-audit services.

**Integrity of reporting**

- Impact assessment of key judgements and level of management challenge.
- Review of external audit findings, key judgements, level of misstatements.
- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.
- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, where requested by the Council, provide advice in respect of the fair, balanced and understandable statement.

**Internal controls and risks**

- Review the internal control and risk management systems (unless expressly addressed by separate risk committee).
- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

**Oversight of internal audit**

- Consider annually whether the scope of the internal audit programme is adequate.
- Monitor and review the effectiveness of the internal audit activities.

**Whistle-blowing and fraud**

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns raised by staff in connection with improprieties.

# 3 Our audit explained

## What we consider when we plan the audit

### Responsibilities of management

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Responsibilities of the audit committee

As explained further in the Responsibilities of the Audit Committee slide on page 5, the Audit Committee is responsible for:

- Reviewing internal financial controls and internal control and risk management systems (unless expressly addressed by a separate risk committee).
- Monitoring and reviewing the effectiveness of the internal audit function; where there isn't one, explaining the absence, how internal assurance is achieved, and how this affects the work of external audit.
- Reporting in the annual report on the annual review of the effectiveness of risk management and internal control systems.
- Explaining what actions have been, or are being taken to remedy any significant failings or weaknesses.

### FRC guidance on good practice

The FRC, in its Review of Governance Reporting, issued November 2023, has identified good practice as including a detailed description of the process for reviewing the effectiveness of risk management and internal control systems and clarity on what the outcome of the review. This would include whether any weaknesses or inefficiencies were identified and explanations of what actions the board has taken, or will take, to remedy these.

### Our response

As stakeholders tell us they wish to understand how external audit challenges and responds to the quality of an entity's control environment, we are seeking to enhance how we plan and report on the results of the audit in response. We will be placing increased focus on how the control environment impacts the audit, from our initial risk assessment, to our testing approach and how we report on misstatements and control deficiencies.

# 4 An audit tailored to you

## Overview of our audit plan

**Identify changes in your business and environment**

The Council continues to face significant financial pressures, with rising costs not being matched by increased funding. This is considered further on page 20.

**Scoping**

Our scope is in line with the Code of Audit Practice issued by Audit Scotland. More detail is given on page 10.

**In our final report**

In our final report to you we will conclude on the significant risks identified in this paper, report to you our other findings, and detail those items we will be including in our audit report.

**Determine materiality**

We will use a (Council Only) materiality level of £6.526m in planning our audit. This is based on the gross expenditure in the draft accounts. We will report to you any misstatements above £0.326m.

Further details on our materiality considerations are provided on page 9.

**Significant risk assessment**

We have identified significant audit risks in relation to the Council. More detail is given on pages 13 to 16.

**Quality and Independence**

We confirm all Deloitte network firms and engagement team members are independent of the Council. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

# 5 Continuous communication and reporting

## Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.

| Planning | Interim and wider scope | Year end fieldwork | Reporting |
|---|---|---|---|
| • Planning meetings<br>• Discussion of the scope of the audit<br>• Discussion of fraud risk assessment | • Understanding of key business cycles<br>• Carry out detailed risk assessments<br>• Review of Council and Audit Committee papers and minutes<br>• Review of the work performed by Internal Audit<br>• Complete wider scope procedures | • Audit of Annual Report and Accounts, including Annual Governance Statement<br>• Year-end audit field work<br>• Year-end closing meetings | • Reporting of significant control deficiencies<br>• Final Audit Committee<br>• Submission of final Annual Audit Report to the Audit Committee and the Controller of Audit.<br>• Submission of audited Annual Report and Accounts to Audit Scotland<br>• Complete data sets |
| 2023/24 Audit Plan | 2023/24 Annual Audit Report | | |
| July – August 2024 | July – August 2024 | August – October 2024 | December 2024 |

Ongoing communication and feedback

# 6 Materiality

## Our approach to materiality

**Basis of our materiality benchmark**

- The audit partner has determined group materiality as £6.870m and performance materiality of £4.800m, based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the Annual Report and Accounts.
- We have used 1.5% of gross expenditure as the benchmark for determining materiality and applied 70% as performance materiality. We have judged expenditure to be the most relevant measure for the users of the accounts.
- For the audit of Stirling Council (Council only), a materiality of £6.526m and performance materiality of £4.560m has been determined.

**Reporting to those charged with governance**

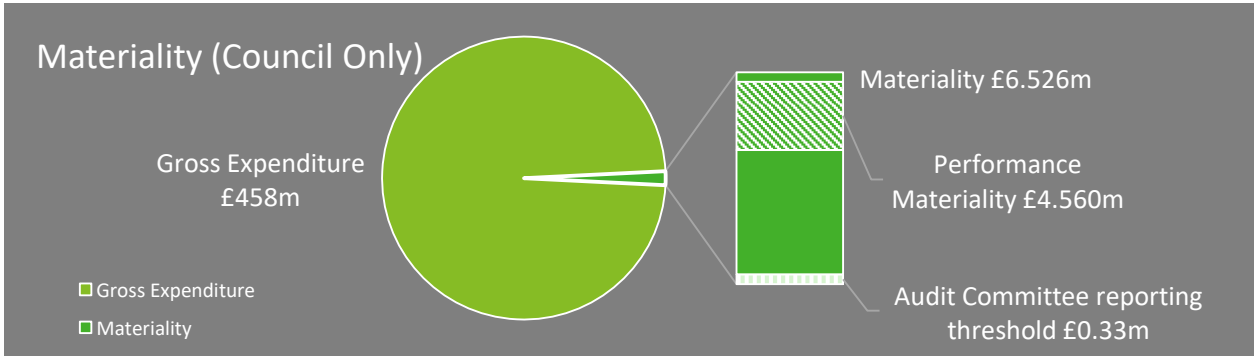
- We will report to you all misstatements found in excess of £0.326m.
- We will report misstatements below this threshold if we consider them to be material by nature.

Our approach to determining the materiality benchmark is consistent with Audit Scotland guidance, which states that the threshold for clearly trivial above which we should accumulate misstatements for reporting and correction to the Audit Committee must not exceed £0.326m.

**Our Annual Audit Report**

We will:

- Report group and Council only materiality, and the range we use for component materiality.
- Provide comparative data and explain any changes compared to prior year
- Explain any normalised or adjusted benchmarks we use
- Explain the concept of performance materiality and state what percentage of materiality we used for the group and Council audits, with our rationale.




Although materiality is the judgement of the audit partner, the Audit Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

# 7.1 Scope of work and approach

## Our key areas of responsibility under the Code of Audit Practice

| Auditors activity | Planned output | Proposed reporting timeline to the Committee | Audit Scotland/ statutory deadline |
|---|---|---|---|
| Audit of Annual Report and Accounts | Annual Audit Plan<br>Independent Auditor's Report<br>Annual Audit Report | 29 August 2024<br>16 January 2025<br>16 January 2025 | 31 March 2024<br>30 September 2024<br>30 September 2024 |
| Wider-scope areas | Annual Audit Plan<br>Annual Audit Report | 29 August 2024<br>16 January 2025 | 31 March 2024<br>30 September 2024 |
| Consider and report on Best Value arrangements | Annual Audit Plan<br>Annual Audit Report<br>Thematic Review – Management Report | 29 August 2024<br>16 January 2025<br>16 January 2025 | 31 March 2024<br>30 September 2024<br>30 September 2024 |
| Audit of approved claims and returns | Annual Audit Plan<br>Auditor certificate of housing benefit<br>Auditor certificate of non-domestic rates return | 29 August 2024<br>N/A<br>N/A | 31 March 2024<br>31 November 2024<br>6 October 2024 |
| Provide assurance on specified returns | Annual Audit Plan<br>Assurance Statement on Whole of Government Accounts (WGA) return | 29 August 2024<br>N/A | 31 March 2024<br>TBC |

# 7.2 Scope of work and approach

## Our approach

### Liaison with internal audit and local counter fraud

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work where necessary. We will discuss the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council's staff.

### Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D&I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

### Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We use and continually update International Financial Reporting Standards ("IFRS") disclosure checklists in conjunction with the requirements of the Code to support the Council in preparing high quality drafts of the Annual Report and Accounts, which we would recommend the Council complete during drafting.

Other reporting prescribed by the Accounts Commission

In addition to the opinion on the Annual Report and Accounts, we are also required to provide an opinion on the following:

- Whether the audited part of the Remuneration Report has been properly prepared; and
- Whether the Management Commentary and Annual Governance Statement are consistent with the financial statements and have been properly prepared.

# 8.1 Your control environment

## High-level impact on our approach

| | |
|---|---|
| **Pre-planning knowledge** | In the 2022/23 year end audit we identified a material misstatement in relation to property valuations in 2021/22 which resulted in the prior year balances being restated and a control deficiency being identified. We are also aware of the new ERP system which went live in April 2024 following delays from the original date.<br>In addition, there have also been changes in staff at the Council in senior positions, including the Chief Executive Officer and Section 95 Officer.<br>We will take consideration of each of these factors in both the main audit and wider scope work, analysing implications and changes to processes as a result. |
| **Impact on our audit approach** | **Performance materiality:** We set performance materiality as a percentage of materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. We determine performance materiality with reference to factors such as the quality of the control environment and the historical error rate. Where we are unable to rely on controls, we may use a lower level of performance materiality. Refer to page 9 for full consideration of how performance materiality has been calculated.<br>**Reliance on controls:** We will not be taking a controls reliance approach; however we will be testing the design and implementation of the controls over significant risk areas and key estimates. As noted above, we identified a control deficiency in relation to the review of property valuation entries relating to the 2021/22 year end. This control was subsequently reassessed as part of the 2022/23 audit and will be a key area of audit focus in 2023/24. |

# 8.1 Significant risks

## Significant risk dashboard

| Risk | Fraud risk | Planned approach to controls | Level of management judgement | Management paper expected | Page no. |
|---|---|---|---|---|---|
| Risk 1 – Management override of controls | ✓ | DI | ⚠ | ✗ | 14 |
| Risk 2 – Property valuations | ✗ | DI | ⚠ | ✓ | 15 |
| Risk 3 – Capital expenditure | ✓ | DI | ⚠ | ✓ | 16 |

**Level of management judgement**

- ⚠ Limited management judgement
- ⚠ A degree of management judgement
- ⚠ Significant management judgement

**Controls approach adopted**

- DI Assess design & implementation

# 8.2 Significant risks

## Risk 1 – Management override of controls

| | |
|---|---|
| **Risk identified** | In accordance with ISA (UK) 240 management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the Annual Report and Accounts as well as the potential to override the Council's controls for specific transactions.<br>The key judgements in the Annual Report and Accounts are those which we have selected to be the significant audit risks – valuation of the Council's estate and recognition of capital expenditure. These are inherently the areas in which management has the potential to use their judgment to influence the Annual Report and Accounts . |
| **Our response** | In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:<br>• We will consider the overall control environment and 'tone at the top';<br>• We will test the design and implementation of controls relating to journals and accounting estimates;<br>• We will make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.<br>• We will test the appropriateness of journals and adjustments made in the preparation of the Annual Report and Accounts . We will use Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest.<br>• We will review accounting estimates for biases that could result in material misstatements due to fraud and perform testing on key accounting estimates as discussed above.<br>• We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment. |

# 8.3 Significant risks (continued)

## Risk 2 – Property Valuation

| | |
|---|---|
| **Risk identified** | The Council held £718.610m of property assets (council dwellings and land and buildings) at 31 March 2022 which increased to £773.657m as at 31 March 2023, due to upwards revaluations as a result of the Council undertaking a mixture of full valuations and desktop valuations for assets not fully revalued in the year. In 2023/24 the Council plan to carry out a combination of asset valuations as part of the 5-year rolling programme and a desktop valuation on the remaining assets.<br><br>The Council is revaluing its housing stock in 2023/24 and has engaged an external valuation specialist for this exercise. This is a complex valuation exercise given the judgements involved and we consider this to be an area with an increased likelihood of error.<br><br>The Council is required to hold property assets within Property, Plant and Equipment at existing use value provided that an active market for the asset exists. Where there is no active market, because of the specialist nature of the asset, a depreciated replacement cost approach may be needed which provides the current cost of replacing an asset with its modern equivalent asset. The valuations are by nature significant estimates which are based on specialist and management assumptions, and which can be subject to material changes in value. |
| **Our response** | • We will test the design and implementation of key controls in place around the property valuation.<br>• We have engaged early with the Council, using our valuation specialists to challenge the assumptions applied by management in the valuations.<br>• We will test the inputs to the valuation and the key asset information provided by the Council to the valuer back to supporting documentation.<br>• We will challenge management's assessment for material changes in value for those property assets not subject to a full valuation during the year. |

# 8.4 Significant risks (continued)

## Risk 3 – Capital Expenditure

| | |
|---|---|
| **Risk identified** | The Council has a significant capital programme and has budgeted £36.884m for capital works during 2023/24 (2022/23: £37.190m). Key projects include investment in the education estate, roads infrastructure improvements and expenditure associated with the Active Travel project as part of the City Region Deal.<br><br>Where the Council develops properties as part of its capital programme, determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards. The increasing pressures on the revenue budgets increases the risk of amounts being incorrectly capitalised.<br><br>The Council has a significant assets under construction balance for current ongoing capital projects (£17.050m as at 31 March 2023). The timing in which projects are completed and assets are brought into use directly impacts the level of depreciation incurred by the Council and as such is an area that we judge could be open to management override |
| **Our response** | • We will review the Council's capital plans as part of the planning process and discuss with management potential risks or issues identified.<br><br>• We have requested management prepare accounting papers in respect of any areas of judgement in the application of accounting standards to determine whether costs should be capitalised, in particular in respect of the additions, disposal, depreciation, revaluation and impairment of fixed assets.<br><br>• We will test the design and implementation of controls around the capitalisation of costs and test spending on a sample basis to confirm that it complies with relevant accounting requirements.<br><br>• We will test the design and implementation of controls around the transfer of assets out of assets under construction and into use and test completed projects on a sample basis to ensure depreciation is charged from the correct date.<br><br>• We will evaluate completeness of disposals or impairments of existing assets on completion of the above key projects. We will challenge any significant judgements made by management in regards to these projects, for example the capitalisation of staff costs and other project development costs, to ensure they comply with relevant accounting requirements. |

# 9.1 Other areas of audit focus

## We have identified the below areas of audit interest, although do not consider these to be significant risks

| | |
|---|---|
| **Risk identified** | **IFRS 16** |
| **Summary** | IFRS 16 is effective for local government bodies from 1 April 2024, but can be voluntarily adopted from 2023/24. The introduction of IFRS 16 will have a significant impact on the balance sheet and on recorded capital expenditure for the Council. Stirling Council has elected to adopt IFRS 16 from 2024/25 when it becomes mandatory.<br><br>The Council will be required to disclose the future impact of IFRS 16 in the 2023/24 accounts, as well as its decision not to adopt the standard from 1 April 2023.<br><br>We recommend that an accounting paper is presented to the Audit Committee on the transition for review and approval as part of the Council's governance over financial reporting. |
| **Deloitte response** | We will request from management an accounting paper on the implementation of IFRS 16 (including the controls in place over reporting under the standard, and any additional judgements identified in transition and in-year application). |

| | |
|---|---|
| **Risk identified** | **Expenditure recognition** |
| **Summary** | In accordance with Practice Note 10 (Audit of Annual Accounts of public sector bodies in the United Kingdom), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition. |
| **Deloitte response** | We have considered this risk for the Council, and based on procedures performed in 2022/23, there is no history of errors or audit adjustments. This has therefore not been assessed as a significant risk area but will continue to be an area of audit focus in line with Practice Note 10. We will consider this further as part of our detailed risk assessment. |

# 9.2 Other areas of audit focus (continued)

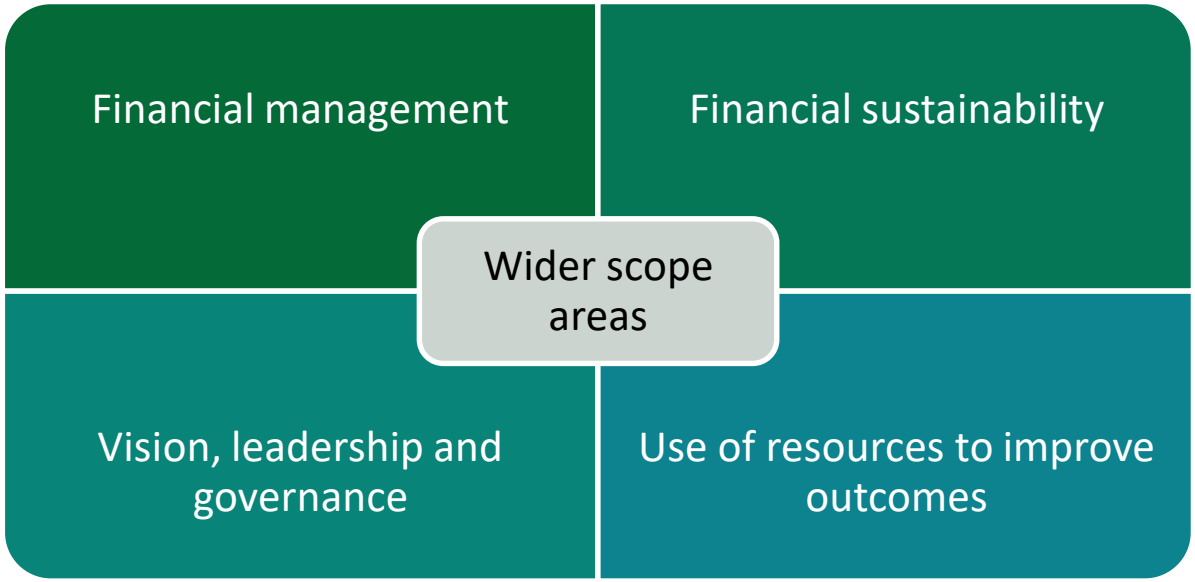
We have identified the below areas of audit interest, although do not consider these to be significant risks (continued)

| | |
|---|---|
| **Risk identified** | **Pension Liability** |
| **Summary** | The Council participates in two defined benefits schemes:<br>• Scottish Teachers' Superannuation Scheme, administered by the Scottish Government; and<br>• The Falkirk Pension Fund, administered by Falkirk Council.<br><br>The net pension liability decreased from £204.887m in 2021/22 to an asset of £10.446m in 2022/23. The movement was a combination of an increase in the fair value of the assets and a decrease in the liabilities as a result of demographic changes and financial assumptions. The liability also continues to be affected by the McCloud and Goodwin legal cases.<br><br>Hymans Robertson LLP are the Council's appointed actuary, who produce a detailed report outlining the estimated liability at the year-end along with the associated disclosure requirements. The pension liability valuation is an area of audit focus due to the material value and significant assumptions used in the calculation of the liability. The valuations are prepared by a reputable actuary using standard methodologies and no significant changes in the membership of the scheme or accrued benefits are expected in the current year. As a result, we have not identified this as a significant risk. |
| **Deloitte response** | We will perform the following procedures to address the risk:<br>• Assess the independence and expertise of the actuary supporting the basis of reliance upon their work;<br>• review and challenge the assumptions made by Hymans Robertson LLP;<br>• Obtain assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;<br>• Assess the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund annual accounts;<br>• Review and challenge the calculation of the impact of the McCloud and Goodwin cases on pension liabilities; and<br>• Review the disclosures within the accounts against the Code. |

# 10.1 Wider scope requirements

## Overview

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.




In local government, public audit includes the audit of arrangements for, and performance of, the audited body's duties for Best Value and community planning. In accordance with Audit Scotland planning guidance, we are required to undertaken this duty in a way that is proportionate to the size and type of body. Our work on the wider-scope areas, discussed on pages 19 to 25 will contribute to our consideration of how the council demonstrates that it is meeting its Best Value responsibilities.

As part of our risk assessment, we have considered the arrangements in place for the wider-scope areas and have summarised the significant risks and our planned response on the following pages.

# 10.2 Wider scope requirements (continued)

## Significant risks

| Area | Significant risks identified | Planned audit response |
|---|---|---|
| Financial management | There is an ongoing risk with the finance team capacity, in particular as a result of the new ERP system which went live in April 2024. From our planning work and understanding from the prior year audit, we have, however, not identified any significant risks in relation to financial management. | We will continue to review the financial management arrangements in place, including the capacity of the finance team. |
| Financial sustainability | While the Council has historically achieved financial balance, there remains a potential risk that robust medium to long term planning arrangements are not in place to ensure that the Council can manage its finances sustainably and deliver services effectively.<br><br>This is based on a number of factors, including:<br>• The 2024/25 budget is projecting a £16.328m budget gap with the assumptions that £7.379m mitigations can be delivered.<br>• Pressures on expenditure including public sector pay costs and inflationary pressures not being met by increased income, resulting in a net budget gap in 2024/25 of £23.707m before agreeing savings options.<br>• Indicative gaps of £25.452m and £33.258m identified for 2025/26 and 2026/27 respectively. | We will assess the development of the 2024/25 budget and the impact on the medium and longer term financial outlook.<br><br>We will also review the updated medium term financial plan and associated savings plans when prepared to assess whether there are robust plans in place to reduce the funding gap. This will include consideration of the progress with the Council's transformation plans set out within its 10-year strategy "Thriving Stirling".<br><br>We will assess how the Council is responding to workforce challenges in line with the Best Value thematic review. |

# 10.3 Wider scope requirements (continued)

## Significant risks (continued)

| Area | Significant risks identified | Planned audit response |
|---|---|---|
| Vision, leadership and governance | In 2022/23, we concluded that the Council had appropriate governance arrangements in place and that there was effective scrutiny. Challenge and informed decision making.<br><br>Following the local government elections in May 2022, the new Council administration agreed its 10 strategic priorities in December 2022. These set out the overarching principles which will guide the Council's future decision making over the coming years.<br><br>There is a risk that robust plans are not in place underling these priorities to ensure they are delivered. | We will review the work of the Council to assess whether the governance arrangements are operating effectively, including assessing whether there is effective scrutiny, challenge and informed decision making. |
| Use of resources to improve outcomes | In 2022/23, we concluded that the Council had an appropriate and effective best value framework in place.<br><br>Given the financial challenges faced by the Council and the changes in priorities noted above, there is a risk that the Council is unable to demonstrate that resources are being used effectively with a focus on continuous improvement. | We will review the performance reports presented at the Council to assess the extent to which they demonstrate a focus on continuous improvement, as discussed further on page 22. This will incorporate consideration of the effectiveness and appropriateness for preparing and publishing the Statutory Performance Information considered further on page 23. |

# 10.5 Wider scope requirements (continued)

## Other requirements

Under the new Code of Audit Practice, the **audit of Best Value** in councils is fully integrated within the annual audit work. We are required to evaluate and report on the performance of councils in meeting their Best Value duties. There are four aspects to our work:

| Considering Best Value (BV) arrangements | Reporting requirements |
|---|---|
| 1. ***Follow-up and risk based work*** – following up on Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports (BVAR) and Annual Audit Reports. | We will report our judgement on the pace and depth of improvement in our Annual Audit Report.<br><br>We have included the significant risks identified on pages 20 & 21, and will report our conclusions in our Annual Audit Report. |
| 2. ***Service improvement and reporting –*** Councils should be able to demonstrate a trend of improvement over time in delivering their strategic priorities. | We will assess annually how effectively the Council demonstrates this improvement and report in the Annual Audit Report for 2023/24.<br>We will also report in the Annual Audit Report a summary of the information the Council reports publicly on its service performance, drawing upon the information that the Council is required to report on by the Accounts Commission's Statutory Performance Information Direction. This takes forward the service assessments previously reported in the BVAR on the Council. |
| 3. ***Thematic reviews –*** we are required to report on Best Value or related themes prescribed by the Accounts Commission.<br>The thematic work for 2023/24 requires us to carry out review of workforce innovation. | We will report our conclusions in a separate management report on this work, using a template provided by Audit Scotland. This will be reported to those charged with governance in the Council prior to the conclusion of the 2023/24 audit. A summary of the findings and conclusions will be reported in our Annual Audit Report. |

# 10.6 Wider scope requirements (continued)

## Other requirements (continued)

| Considering Best Value (BV) arrangements (continued) | Reporting requirements |
|---|---|
| ***4. Contributing to Controller of Audit reports*** – The Controller of Audit will report to the Accounts Commission on each council's performance in meeting its Best Value duties at least once over the five-year appointments. | The report will be prepared by for the Controller by Performance Audit and Best Value (PABV) staff and will be a summary of information and judgements reported by each auditor. The latest Annual Report will be presented to the Commission with the Controller's report. |

| Councils' Statutory Performance Information | Reporting requirements |
|---|---|
| The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibilities, under their Best Value duty, to report performance to the public. The Accounts Commission issued a new Statutory Performance Information Direction in December 2021 which applies for the three years from 2022/23. | We have a statutory responsibility to satisfy ourselves that the Council has made proper arrangements for preparing and publishing the statutory performance information in accordance with the Direction.<br>We will conclude in our Annual Audit Report on:<br>• the effectiveness and appropriateness of the arrangements in place for complying with the Direction, including the balance and timeliness of reporting to members along with its accessibility for citizens and communities; and<br>• The progress on implementing previous recommendations and any recommendations for further improvement in the arrangements. |

# 10.7 Wider scope requirements (continued)

## Other requirements (continued)

| Area | Requirements |
|---|---|
| **Shared Risk Assessment and Joint Scrutiny Planning** | The Shared Risk Assessment (SRA) process is the vehicle for scrutiny bodies to share intelligence and agree scrutiny risks at Councils. Each council area has a Local Area Network (LAN) which comprises representatives from the main local government scrutiny bodies.<br>As the appointed auditor, we are the LAN leads and are required to:<br>• Engage with LAN members in other agencies to collect information on performance and scrutiny risks to inform risk assessment discussions<br>• Work with other scrutiny bodies to facilitate engagement with the council and between each member<br>• Discuss planned scrutiny with the council<br>• Advise the Operational Scrutiny Group of any planned scrutiny activity |
| **National Fraud Initiative** | The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error.<br>All councils are participating in the 2024/25 NFI exercise. We will monitor progress throughout the audit. |
| **Sectoral annual reports** | The Accounts Commission has in previous years published two reports covering the local government sector. We will be required to complete a brief dataset containing some important information to assist in preparation of these reports. |

# 10.8 Wider scope requirements (continued)

## Other requirements (continued)

| Area | Requirements |
|---|---|
| **Anti-money laundering** | We are required to ensure that arrangements are in place to be informed of any suspected instances of money laundering at audited bodies. Any such instances will be advised to Audit Scotland. |
| **Fraud returns** | We are required to prepare and submit fraud returns to Audit Scotland for all frauds at audited bodies:<br>• Involving the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control<br>• Over £5,000. |
| **Whole of Government Accounts** | We are required to provide assurance on Whole of Government Accounts (WGA) returns prepared by local government bodies where these are over a prescribed threshold. |
| **Certification of grant claims and returns** | We are required to provide certificates on specified grant claims and similar returns prepared by a audited bodies as part of the audit appointment, where they have been approved by Audit Scotland. The two approved claims/ returns for 2023/24 relate to housing benefit subsidy and non-domestic rates.<br><br>As a change in principle from previous years, no other grant claims or similar returns may be certified in 2023/24 under the audit appointment. However, we may be permitted to undertake this work as a non-audit service rather than as core annual audit activity. |

# 11.1 Reporting hot topics

## Ongoing macro-economic uncertainty

### Reporting in times of uncertainty

Businesses face unprecedented uncertainty from a variety of sources, including stresses arising from energy supply and costs, inflation, foreign exchange volatility, commodity availability and pricing, global supply chain disruption, labour shortages and the impacts of climate change. Many of these issues are exacerbated by the ongoing conflict between Russia and Ukraine.

High-quality, transparent reporting that clearly explains the impact of these uncertainties on the Council's financial position, performance and cash flows, as well as the Council's response to these risks, remains as important as ever.

### Impact of ongoing macro-economic uncertainty – Considerations

The current macro-economic uncertainty and the resulting challenges have a pervasive impact on the financial statements and need to be considered comprehensively across all account balances and disclosures, in particular those involving estimation or judgement.

Sources of uncertainty likely to impact Council's operations and corporate reporting include:

- **High energy costs and risk of energy shortages**
- **Rising interest rates**
- **Rising levels of inflation**
- **Supply chain disruptions**
- **Continued pressures on labour supply and wages**

### Impact of ongoing macro-economic uncertainty – Action

We expect all Council's to have undertaken a comprehensive, evidence-based assessment of the risks relating to macroeconomic conditions including for example, higher energy costs, supply chain disruption, rising levels of inflation, commodity availability and labour shortages. Consideration should be given to how those risks affect both the operations of the Council and the impact on the annual report and financial statements as a whole.

We expect Councils to have considered the pressures throughout the value chain(s) in which they operate, including an assessment of the risks relating to suppliers and operations.

# 11.2 Reporting hot topics (continued)[483]

## Climate related risks

**Deloitte view**
The expectations of corporate reporting are increasing. While the focus is primarily on corporates, we highlight these areas where improved disclosures would help meet stakeholder expectations.

### Accounting for and reporting of climate-related risks – Considerations

#### Stakeholder expectations

Stakeholders are clear that climate-related risks could be material to businesses in all sectors. In particular, stakeholders ask for clear, specific and quantified information that describes:

- how the impacts of physical and transition risks have been considered in preparing the financial statements;
- what climate-related assumptions and estimates were used to prepare the financial statements; and
- whether narrative reporting on climate risks and the accounting assumptions are consistent, or an explanation for any divergence.

#### Climate thematic reports

In July 2022, the FCA and FRC published **thematic reviews of TCFD disclosures and climate-related impacts** reported in premium listed entities' financial statements. This follows up on the FRC's 2020 thematic review of climate-related considerations.

The five key areas for improvements in climate-change reporting highlighted in the FRC's thematic review remain relevant:

- Giving more **granular and company specific information** about the effects of climate change on different businesses, sectors and geographies.
- Ensuring that the discussion of climate-related risks and opportunities is **balanced**.
- **Linking climate-related disclosures**, such as the output of climate-related scenario analysis, with other relevant narrative disclosures in the annual report, such as the business model or strategy.
- Explaining how **materiality** has been applied in deciding which climate-related information should be disclosed.
- Ensuring **connectivity between TCFD disclosures and the financial statements** to help investors understand the relationship between climate-related matters and judgements and estimates applied in the financial statements – for example, explaining clearly how different climate-related scenarios and the companies' own net zero commitments have been reflected in the financial statements.

The FRC report also includes disclosure examples and detailed expectations and can be found on the FRC's website here.

# 11.3 Reporting hot topics (continued)

## Climate related risks

### Accounting for and reporting of climate-related risks - Action

*Governance*

The impacts of climate change are a strategic issue that should be on the Council's agenda and integrated into decision making. We expect entities to have:

- Reviewed their governance, processes and controls for identifying, and responding to, climate-related issues;
- Completed a robust climate assessment including all physical and transition risks;
- Assessed the climate change assumptions used in judgements and estimates in the financial statements;
- Evaluated the appropriateness and consistency of information in the financial statements and narrative disclosures; and
- Prepared a management paper setting out management's climate risk assessment and consideration of the impacts of climate change on the financial statements.

*Financial statements*

Regarding financial statement disclosures, we expect entities to consider the transparency of information about the climate-related judgements and assumptions. Information should be entity-specific and avoid boilerplate explanations.

The financial statements should clearly disclose:

- what climate-related assumptions have been used in preparing the financial statements;
- how significant climate risks or net zero transition targets have been taken into account in preparing the financial statements;
- which climate-related scenarios have been considered in sensitivity analysis of climate-related assumptions and how they affect judgements and estimates in the financial statements.

For LG bodies, the most common area affected is assumptions around property valuations, particularly Modern Equivalent Asset assumptions, but this may impact other balances.

*Narrative reporting*

We expect the narrative accompanying the financial statements to include the following:

- An explanation of how climate is assessed as a strategic issue.
- Clarity of whether climate change represents a principal or emerging risk and how it is being managed.
- For climate-related targets and metrics, an explanation of how those targets and metrics fit into strategic targets/approach.

# 11.4 Reporting hot topics (continued)[485]

## Cyber risk

| Area | Management actions | Impact on the financial statements and annual report | Impact on our audit |
|---|---|---|---|
| Cyber risk | The Council has invested in advanced cyber security hardware and software. In addition they have carried out a Cyber security audit with BT. | Cyber risk is an increasing area of auditor focus. We we recommend considering whether any additional disclosure or explanations are appropriate, including discussion of principal risks and uncertainties, or in the Annual Governance Statement.<br><br>The AGS requires disclosure of how risks to data security are managed and controlled, as well as of any serious information governance incidents. | We will obtain an understanding the Council and its internal controls in relation to cyber as part of our understanding of the Council's IT environment.<br><br>We will make specific enquiries to identify whether a cyber breach has occurred during the period, and evaluate the impact of any cyber incidents, including any potential liabilities arising or impacts on compliance with laws or regulation.<br><br>We will review the disclosures made for consistency with our understanding from our audit work. |

# 12.1 Audit quality

## Our commitment to audit quality

Our objective is to deliver a distinctive, quality audit to you. Every member of the engagement team will contribute, to achieve the highest standard of professional excellence.

In particular, for your audit, we consider that the following steps will contribute to the overall quality:

We will apply professional scepticism on material issues and significant judgements by using our expertise in the sector and elsewhere to provide robust challenge to management.

We will obtain a deep understanding of your business, its environment and of your processes in income and expenditure recognition, and capital expenditure enabling us to develop a risk-focused approach tailored to the Council.

Our engagement team is selected to ensure that we have the right subject matter expertise and industry knowledge. We will involve property specialists to support the audit team in our work on the valuation of property assets, IT specialists to support the audit team in our understanding of IT controls, pension specialists to support the audit team in our work on the pension liability.

In order to deliver a quality audit to you, each member of the core audit team has received tailored learning to develop their expertise in audit skills, delivered by Pat Kenny (Associate Partner).

**Engagement Quality Review**

We have developed a tailored Engagement Quality Control approach.

We have developed a tailored Engagement Quality Control approach. Our dedicated Professional Standards Review (PSR) function will provide a 'hot' review before any audit or other opinion is signed. PSR is operationally independent of the audit team and supports our high standards of professional scepticism and audit quality by providing a rigorous independent challenge.

# 12.2 Audit quality (continued)

## FRC 2022/23 Audit Quality Inspection and Supervision report

Audit quality is at the heart of everything we do. We are committed to acting with the highest levels of integrity in the public interest to deliver confidence and trust in business.

In July 2023, the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2022/23 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, our inspection results for our audits selected by the FRC as part of the 2022/23 inspection cycle remain consistent year-on-year, with 82% of all inspections in the cycle assessed as good or needing limited improvement. This reflects the ongoing investment we continue to make in audit quality, with a relentless focus on continuous improvement. Our audit culture and the audit quality environment we create are critical to our resilience and reputation as a business and we remain committed to our role in protecting the public interest and creating pride in our profession.

We value the observations raised by both the FRC AQR and Supervision teams, both in identifying areas for improvement and also the increasing focus on sharing good practice to drive further and continuous improvement.

We are pleased to see the positive impact of actions taken over the last 12-18 months to address findings raised by the FRC in the prior year relating to EQCR, Independence & Ethics and Group Audits, with none of these areas identified as key findings in this year's engagement inspection cycle. The reduction in findings in this area reflects the ongoing effectiveness of the actions taken, particularly the successful rollout of our group audit coaching programme. Our EQCR transformation programme, which commenced in the second half of 2021, has served to further enhance the effectiveness of our EQCR process and led to improved evidence on our audit files demonstrating the EQCR challenge.

We welcome the breadth and depth of good practice points raised by the FRC, particularly in respect of effective group oversight and effective procedures for impairments, where we have made sustained efforts and investment to drive consistency and high-quality execution.

All the AQR public reports are available on the FRC's website:

Audit Firm Specific Reports - Tier 1 audit firms | Financial Reporting Council (frc.org.uk)

# 13.3 Audit quality (continued)

## Our commitment to audit quality and our system of quality management

Audit quality is at the heart of everything we do and our system of quality management (SQM) supports our execution of quality audits.

The FRC recently promulgated ISQM (UK) 1, a standard that sets out a firm's responsibilities to design, implement and operate a system of quality management for audits, reviews of financial statements, and other assurance or related services engagements.

Led by senior UK leadership, Deloitte UK's ISQM (UK) 1 implementation activities reached successful completion on 15 December 2022.

Deloitte UK performed its first annual evaluation of its system of quality management as of 31 May 2023. This evaluation was conducted in accordance with ISQM (UK) 1 and we concluded our SQM provides the firm with reasonable assurance that the objectives of the SQM are being achieved as of 31 May 2023.

For further details surrounding the conclusion on the operating effectiveness of the firm's SQM, including results of the monitoring activities performed, please refer to the disclosures within Appendix 5 of our publicly available transparency report.

OUR PEOPLE
Underpinned by our shared values and our cultural ambition
Guiding our commitment to excellence and our mindset and behaviours
Delivered through controls and processes
Resulting in high-quality outcomes
Contributing to the value of audit
OUR PURPOSE
Protecting the public interest and building trust and confidence in business

# 13 Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to establish our respective responsibilities in relation to the Annual Report and Accounts audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory and corporate governance updates, relevant to you

### What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### Use of this report

This report has been prepared for the Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

### Other relevant communications

We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

**Pat Kenny**

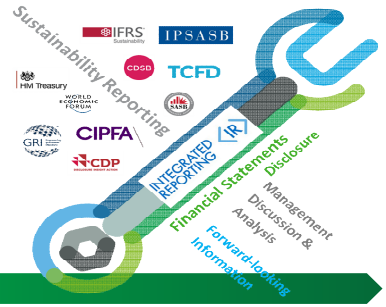
**for and on behalf of Deloitte LLP**

Glasgow | 9 August 2024

# Technical and sector developments

# 15.1 Climate and Sustainability reporting landscape in the Public Sector

Currently, there are a number of reporting frameworks that are being adopted by the public sector. However the climate and sustainability reporting landscape is changing and with change comes challenge and complexity. A summary of the **current status** of the reporting landscape in the public sector, and the likely **future** of reporting against sustainability and climate-related matters, including the challenges and next steps to consider, is noted below.




**Current status** → **Future landscape**

## HM Treasury

In June 2021, the Financial Reporting Advisory Board (FRAB) as independent advisory board to HM Treasury, established a sustainability subcommittee (SSC) to consider how public sector annual reports and accounts can best reflect climate disclosure reporting matters.

In the March 2023 meeting, FRAB-SCC recommended that HM Treasury (HMT) ensure existing resources are publicised across the Public Sector, including **roll out of Taskforce for Climate-related Financial Disclosures (TCFD)-aligned reporting in a 3-phase approach.**

**Phase 1** Application Guidance **applicable for 2023/24** annual reports and accounts – Governance disclosures, high level overview on Strategy, Risk Management and Metrics and Targets.

**Phase 2** Application Guidance **applicable for 2024/25** annual reports and accounts) – qualitative focus on risk management with existing metrics and targets recommended disclosures with TCFD elements.

**Phase 3** Application Guidance applicable for 2025/26 annual reports and accounts) - quantitative focus with strategy with expanded metrics and targets. The inclusion of scenario analysis and recommended disclosures with TCFD element and to align with the next round of greening government commitments 2025/30 (where possible).

2022 — 2023 — 2024

## IPSASB / CIPFA

In 2022, **the IPSASB led a global consultation on advancing public sector specific sustainability reporting.** IPSASB has analysed the responses to the consultation and aims to publish the initial guidance by the end of 2023. IPSASB are looking to develop their guidance to follow the same approach as the International Sustainability Standards Board (ISSB), utilising the TCFD framework.

At its December 2022 meeting, the IPSASB commenced the scoping of public sector specific sustainability reporting. To do this, IPSASB set out to establish **Sustainability Task Force** to focus prioritise research on Sustainability-related, Climate-related & Natural Resources disclosures.

In April 2023, CIPFA **published a report on sustainability reporting in the public sector providing guidance, best practice and advice.** These recommendations draw on standards and frameworks already developed such as TCFD, GRI and ISSB as well as the work ongoing by IPSASB.

The IPSASB **aims to publish** initial guidance by the **end of 2023.**

***What next?***

- *It is likely that the TCFD framework will be the first sustainability reporting standard implemented for the public sector, notably for Central Government.*
- *Other relevant bodies (E.g. CIPFA and Department of Health & Social Care) to set their own reporting requirements for their respective sectors.*
- *Expect further clarity later this year when the IPSASB guidance is published.*

***What about assurance?***

*In its March 2023 meeting, FRAB recognised the complexity of introducing formal assurance requirements, with plans to implement this only under early consideration by the National Audit Office (similar in the private sector). We recommend that public sector bodies develop a plan to meet the expected reporting requirements and consider what oversight and assurance will be required ahead of year-end.*

***Next steps***

*Based on the experiences of existing TCFD reporters, implementation of sustainability reporting frameworks and standards is known to be challenging and early planning is essential to help meet expected reporting requirements. Some key considerations in anticipation of increased focus for the public sector include:*

- ***Granularity** – The need for more detail, specificity and granularity was a key theme from the regulator this year. Going beyond the headline of each recommended disclosure is now common practice.*
- ***Connectivity** – Within and between the narrative and financial statement disclosures. In the example of TCFD disclosures, significant focus has been placed on financial quantification of climate impacts and ensuring front and back half disclosures are consistent with each other.*
- ***Access to data** – All sustainability and climate reporting will require additional data, both in terms of quantity and crucially, quality of what is collected and reported. Currently some data may not be readily available or complete, and/or require challenge and oversight to obtain, measure and report.*

# 15.2 FRC's corporate reporting highlights

## Findings of FRC monitoring work

The FRC's Annual Review of Corporate Reporting 2022/23 provides detail on the areas that gave rise to the highest number of queries during the Corporate Reporting Review (CRR) team's monitoring work. The Highlight section summarises the top 10 issues and included below are those issues with most relevance to Local Government

| Area | Companies should ensure that… |
|---|---|
| **Impairment of assets** | **...key inputs and assumptions applied in impairment testing have been disclosed and explained**, including the relevant values and sensitivity analysis, where required. Additional disclosures are required where headroom is low, and heightened uncertainties over inflation, consumer demand and interest rates may drive a wider range of reasonably possible outcomes for future cashflows and discount rates. Users should be able to understand how assumptions are consistent with discussion of uncertainties elsewhere in the report.<br>**...impairment testing methodology complies with IFRS**, particularly that the grouping of assets into cash generating units (CGUs) is appropriate, the treatment of inflation in the discount rate and cashflows is consistent; and cashflows in 'value in use' calculations reflect the current condition of assets, before any future enhancement expenditure. |
| **Judgements and estimates** | **...all significant judgements, including those applied in performing the going concern assessment, have been described.** It is not sufficient to list the matters requiring judgement.<br>**...disclosures about estimates include values, sensitivities and explain significant changes.** Sources of estimation uncertainty with a significant risk of resulting in a material adjustment within one year should be clearly distinguished from other estimates.<br>**...disclosures are reassessed every year** to confirm all relevant matters are captured, immaterial issues are not rolled forward and the assumptions and ranges of reasonably possible outcomes remain appropriate in the company's current circumstances. |
| **Cash flow statements** | **...a robust pre-issuance review has been performed.**<br>We found fewer 'routine' errors this year but continue to identify many issues from basic consistency checks, comparing the cash flow statement to other information in the financial statements. Other common errors we find through our desktop reviews relate to classification, netting, and reporting non-cash movements in the cash flow statement. |



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# 15.3 FRC's corporate reporting highlights (continued)

## Findings of FRC monitoring work

| Area | Companies should ensure that… |
|---|---|
| **Strategic Report** | **...the strategic report provides a fair, balanced and comprehensive review** of the company's development, position, performance and future prospects. This should include unbiased discussion of positive and negative aspects of performance, a clear articulation of the effects of economic uncertainty on the business, and should address significant movements in the financial statements, including those in the cash flow and balance sheet |
| **Financial instruments** | **...material risks arising from financial instruments are adequately disclosed,** along with how these are managed. In particular, this includes risks driven by inflation and rising interest rates, and related hedging arrangements.<br>**...information about banking covenants is provided** unless the likelihood of any breach is considered remote. |
| **Revenue** | **...accounting policies are provided for all significant revenue streams** and describe the methodology applied, including the timing of revenue recognition, the basis for recognising any revenue over time, and any significant judgements made in applying those policies.<br>**...they describe inflationary features in customer contracts** and the corresponding accounting treatment. |
| **Provisions and contingencies** | ...they provide **clear and specific descriptions of the relevant exposure,** including the basis for determining the best estimate of the relevant outflow, and the timeframe over which it is expected to crystallise.<br>**...the calculation and presentation comply with IFRS.** Provisions should not be presented net of any reimbursement asset and a consistent approach should be taken in reflecting the effects of inflation in cash flows and discount rates. |
| **Presentation of financial statements** | **...company-specific information about material accounting policies and transactions** is disclosed. It is important that these explain how the policies apply to the company's particular circumstances.<br>**...the financial statements are carefully reviewed.** Common issues we found this year included errors in the classification of intercompany receivables balances between current and non-current, and failure to disclose material impairments of receivables on the face of the income statement. |
| **Fair value measurement** | ...fair value measurements use market participants' assumptions, and provide high quality disclosures. We find most issues in the disclosure of recurring Level 3 measurements, for which the significant unobservable inputs should be quantified and a sensitivity analysis given. **Companies should consider the need for specialist third party advice** where no internal expertise. |

# 15.1 Sector developments

## The State of the State report 2022/23 – From the pandemic to a cost of living crisis

### Background and overview

The 11th edition of Deloitte and Reform's report on the UK public sector was launched in November 2022. Since 2012, we have aimed to create an annual snapshot of what's happening across government and public services to serve as an evidence base for informed discussion.

This year's State of the State finds public attitudes deeply affected by the cost of living crisis, pessimistic for the future and passionate about climate change.

After years of reacting to crises, the latest State of the State report finds officials across the public sector eager for reform and calling for bold decisions about the future of government and public services.

Some key messages:

- The public are split on the right balance between taxes, borrowing and public spending;
- The public's message to government: deal with the crises, but don't neglect net zero;
- Our survey data found that the Scottish and Welsh Governments, as well as the NHS, are among the most trusted parts of the public sector but trust has slipped overall;
- Public sector leaders are eager for reform and calling for bold decisions about the future of government and public services.

### Next steps

The full report is available at [The State of the State 2022/23 (deloitte.com)]

# 15.2 Sector developments

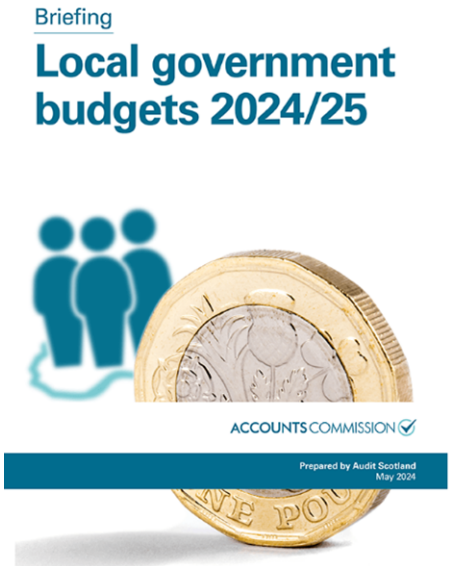
## Audit Scotland: Local Government Budgets 2024/25

### Background and overview

Scotland's councils are facing a significant gap in the money needed to deliver local services and the money they have available. This means councils will have to make increasingly difficult decisions about how councils are run, how they can deliver services and what services can continue.

Key Messages:

- In real terms, the 2024/25 Scottish Budget allocation of total revenue funding to local government has increased by 5.7 percent, however funding remains constrained as most of the increase is directed funding to deliver Scottish Government priorities and agreed pay deals.
- At the time of setting budgets, councils identified a difference of at least £585 million between their anticipated expenditure and the funding and income they expect to receive (the 'budget gap') for 2024/25, representing an estimated 3.5 per cent of councils' total revenue budget.
- Councils have had to make difficult budget setting decisions for 2024/25, and most worked with their communities to inform or consult on the challenges faced.
- Budget setting processes vary across councils, partly reflecting differences in organisational structures and local priorities.




### Next steps

The full report is available at Local Government Budgets 2024/25 (Audit Scotland)

# 15.3 Sector developments

## Audit Scotland: Delivering for the future – why leadership matters

### Background and overview

Each year the Commission selects a particular thematic area of Best Value to focus on, recognising the risks and challenges councils face. The theme this year is the 'Leadership of the development of new strategic priorities'.

The Commission reported that councils are operating in a complex and increasingly volatile environment, which requires strong leadership from councils to make difficult decisions about where and how to spend highly pressured resources.

### Next steps

The full report is available at Delivering for the Future (Audit Scotland)

# 15.4 Sector developments

## Audit Scotland: The important role of a CFO

### Background and overview

As the challenges across the public sector intensify, the role of CFOs is increasingly in the spotlight. As CIPFA highlight, with existing frameworks on governance and decision-making being pushed to their limits, with public services becoming more complex, the CFO is expected to take an active leadership role, not just within the finance function, but across their organisation, sector and public services as a whole.

When budgets tighten, Audit Scotland highlight that often corporate, or 'back office' functions face the hit, to avoid immediately impacting front line services. Against this background, it is important that in the pursuit of back-office efficiencies, the effectiveness of the financial function is not put at risk.

This is an area of interest for Audit Scotland, and in this report it is outlined that they will be taking an interest in auditor conclusions on the resourcing of the finance function as part of their consideration of the 2023/24 annual accounts.

### Next steps

The full report is available at The Important Role of a CFO (Audit Scotland)

# 15.5 Sector developments

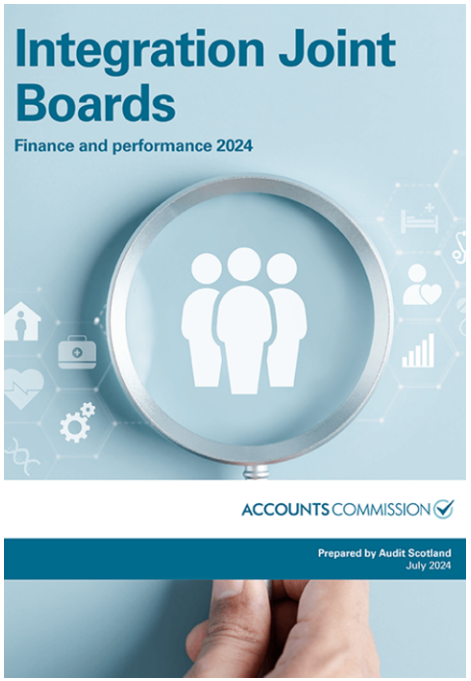
## Audit Scotland: Integration Joint Boards' Finance and performance 2024

### Background and overview

Audit Scotland highlight that community health and social care faces unprecedented pressures and financial uncertainty. The report outlines that community health and social care faces rising unmet need and managing the crisis is taking priority over prevention due to the multiple pressures facing the bodies providing these services.

Key messages:

- Audit Scotland have not seen significant evidence of the shift in the balance of care from hospitals to the community intended by the creation of IJBs.
- IJBs operate within complex governance systems that can make planning and decision making difficult, and cannot address the issues across the sector alone.
- The workforce is under immense pressure reflecting the wider pressures in the health and social care system.
- Data quality and availability is insufficient to fully assess the performance of IJBs and inform how to improve outcomes for people who use services with a lack also of joined up data sharing.
- Current commissioning and procurement practices are driven largely by budgets, competition, and cost rather than outcomes for people.




### Next steps

The full report is available at Integration Joint Boards (Audit Scotland)

# 15.6 Sector developments

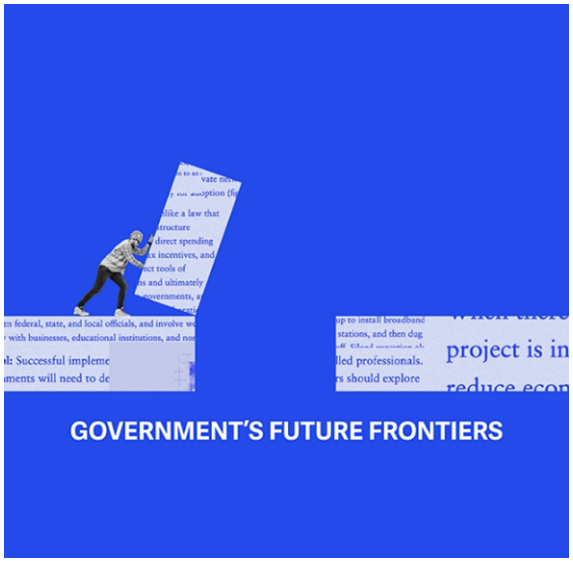
## How collaborative leadership can create solutions to big global issues on government's future frontiers

### Background and overview

Infrastructure. Security. Health. Technology. The on-the-ground realities of homelessness. The infinite possibilities of space.

These are all big issues, bigger than any one organization can handle alone. Truly tackling the problems and opportunities inherent in these pressing societal concerns could take a concerted effort from all walks of society: Public agencies and private companies, nonprofits and academics, multinational foundations and community activists. But no matter what teams are assembled, government is expected to play a key role in constructing the scaffolding on which solutions are built.

In this publication, Deloitte speak to Bill Eggers and Don Kettl, authors of *Bridgebuilders: How Government Can Transcend Boundaries to Solve Big Problems*. They have more than 75 years of combined experience in the world of public management between them, and they have studies countless efforts to redesign government to make it more agile and responsive.




### Next steps

The full publication is available at Government's Future Frontiers (deloitte.com)

# 15.7 Sector developments

## Government Trends 2023

### Background and overview

In the age of discontinuity, governments are moving from hierarchies to networks to enable intragovernment collaboration and nurturing collaborative public-private ecosystems to achieve shared outcomes.

This report outlines nine transformational trends that illustrate governments "bringing down walls" to deliver solutions. The trends outlined are:

- Fluid government workforce models
- Bridging the data-sharing chasm
- Tackling funding silos
- Tailored public services
- Back-office innovations improving mission performance
- Regulation that enables innovation
- Teaming up to deliver whole health
- End-to-end justice
- Security by network

### Next steps

The full publication is available at Government Trends 2023 (deloitte.com)

# Appendices

# 16 Prior year audit adjustments

## Uncorrected misstatements

No uncorrected misstatements were identified in relation to the prior year audit.

# 17.1 Our other responsibilities explained

## Fraud responsibilities

**Your Responsibilities:**

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

**Our responsibilities:**

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified risks of material misstatement due to fraud in property valuations, capital expenditure and management override of controls.
- We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.
- We will communicate to you any other matters related to fraud that are, in our judgment, relevant to your responsibilities. In doing so, we shall consider the matters, if any, regarding management's process for identifying and responding to the risks of fraud and our assessment of the risks of material misstatement due to fraud.

**Fraud Characteristics:**

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

# 17.2 Our other responsibilities explained (continued)

## Fraud responsibilities (continued)

We will make the following inquiries regarding fraud and non-compliance with laws and regulations:

**Management and other personnel:**

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to risks of fraud.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries, in particular the Chief Executive.
- We will also make inquiries of personnel who are expected to deal with allegations of fraud raised by employees or other parties.

**Internal audit**

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

**Those charged with governance**

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity, including those specific to the sector.

# 18 Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

| | |
|---|---|
| Independence confirmation | We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2024 in our final report to the Audit Committee. |
| Fees | The expected fee for 2023/24, as communicated by Audit Scotland in December 2023 is analysed below: |

| | £ |
|---|---|
| Auditor remuneration | 242,080 |
| Audit Scotland fixed charges: | |
| • Pooled costs | 8,820 |
| • Contribution to PABV costs | 62,820 |
| • Sectoral cap adjustment | (7,240) |
| **Total expected fee** | **306,480** |

In addition to the above, there will be a fee for the audit of the charitable trusts which will be agreed and discussed with management.

There are no non-audit fees.

| | |
|---|---|
| Non-audit services | In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary. |
| Relationships | We have no other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties. |

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**Stirling Council**

Agenda Item No. 18

Audit Committee

Date of Meeting: 28 August 2024

Not Exempt

# BVAR update

## Purpose

This report provides a progress update on the improvement action plan developed to implement the recommendations presented in the Stirling Council Best Value Assurance Report (BVAR) prepared by Audit Scotland, April 2019.

In terms of Appendix 5a of the Council's Scheme of Delegation, the Audit Committee has the responsibility to 'seek assurances that action is being taken on risk-related issues identified by auditors and inspectors' and 'review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit'.

## Recommendations

The Committee is asked to:

1. note the position and take assurance in relation to progress of actions in response to Audit Scotland's recommendations arising from Best Value work undertaken; and
2. note that this will be a recurring report which has been added to future workplan of Committee to monitor outstanding and ongoing management actions.

## Resource Implications

There are no resource implications arising directly from this report. However, an effective process of continuous improvement requires corrective action to be taken and these actions may have resource implications. Some actions may be covered by existing budget allocation or require additional investment identified by the Council through its strategic planning process.

## Legal & Risk Implications

Councils have a statutory duty, introduced in the Local Government (Scotland) Act 2003 to make arrangements to secure Best Value. In summary, under this legislation each council is obliged to:

- Work with its partners to identify a clear set of priorities that respond to the needs of the local community.
- Be organised to deliver those priorities.
- Meet and clearly demonstrate that it is meeting the community's needs.
- Operate in a way that drives continuous improvement in all of its activities.

Consideration of this report enables the Committee to discharge its remit under the Scheme of Delegation to 'seek assurances that action is being taken on risk-related issues identified by auditors and inspectors' and 'review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit'. It also allows the Committee to discharge its responsibilities for monitoring the effective development and management of risk, including scrutiny of the Council's Strategic Risk Register.

## 1. Background

1.1. At least once in every five years Audit Scotland will produce a Best Value Assurance Report (BVAR) on each Scottish Council. This will draw on all of the audit and scrutiny work undertaken to date at a council. The reports will summarise the evidence, giving judgements on how effectively each council is delivering Best Value. The scope of each BVAR will be different and focused on the key priority activities and risks in the particular council.

1.2. During October to end of November 2018, Audit Scotland carried out a Best Value review of Stirling Council. Audit Scotland published the BVAR for Stirling Council in April 2019 (**Appendix 1**).

1.3. The BVAR contained 10 recommendations for Stirling Council to take forward:

1.3.1. The Council needs to introduce a structured approach to self-evaluation to deliver continuous improvement. In particular, the performance management framework needs to be refined to identify and prioritise areas for improvement in line with the council's priorities.

1.3.2. The Council should demonstrate that they use benchmarking and customer satisfaction information to identify areas for improvement and identify other councils that they could discuss good practice with.

1.3.3. Performance reports for councillors should be refined to include key indicators, which show performance over time against the council's priorities.

1.3.4. The Council needs to improve its public performance reporting, to show a summary of the council's performance against the business plan objectives.

1.3.5. Councillors should increase attendance at training courses and agree on actions to improve attendance rates. Personal development plans for councillors should be considered.

1.3.6. The Council should develop a more regular and structured approach to staff consultation and engagement.

1.3.7. The Council should complete its residents' satisfaction survey in 2019 and demonstrate how it uses the results to inform future council decisions.

1.3.8. The Council needs to approve the three outstanding locality action plans without delay, to comply with the requirements of the Community Empowerment (Scotland) Act 2015.

1.3.9. The Community Planning Partnership should complete its review of reporting structures and report performance against its local outcome indicators.

1.3.10. The Council should review and report on whether the structure of its Arms Length External Organisations remain fit for purpose.

1.4. In response to the BVAR, the Council developed a BVAR Improvement Action Plan in June 2019 to support the delivery of the recommendations presented in the BVAR.

## 2. Considerations

2.1. The Council has completed six out of 10 recommendations – see **Appendix 2** for the full details.

2.2. The following show the remaining BVAR recommendations with open actions and plans for completion.

**Recommendation 1** - The Council needs to introduce a structured approach to self-evaluation to deliver continuous improvement. In particular, the performance management framework needs to be refined to identify and prioritise areas for improvement in line with the council's priorities.

| Open Actions | Latest Progress Note |
|---|---|
| Create an annual plan for Self-Evaluation and monitor impact and improvement plans | The Council is in the process of embedding PSIF in practice.<br>The Public Service Improvement Framework (PSIF) self-assessment approach provides a systematic, regular review methodology from which prioritised improvement actions plans are produced. As the improvement actions are implemented, progress and impact upon performance is reviewed to ensure that continuous improvement is maintained<br>Over half of Scottish Councils use the Public Service Improvement Framework (PSIF) self-assessment approach to help drive continuous improvement across their organisations. The approach is also used by Community Planning Partnerships, Police Scotland, Scottish Fire and Rescue Services, COSLA, Health & Social Care Partnerships and Third Sector Organisations. |
| Create a plan for Continuous Improvement activity annually. | As above, the Council has been adopting PSIF. This is not yet BAU, and future updates will demonstrate progress. |

**Recommendation 2** – The Council should demonstrate that they use benchmarking and customer satisfaction information to identify areas for improvement and identify other councils that they could discuss good practice with.

| Open Actions | Latest Progress Note |
|---|---|
| Create customer satisfaction measures that are measured annually | A new customer service strategy is planned for 2024, which will be developed collaboratively with service users and insights from the customer survey. The Customer Service Strategy will include a definition of "what makes a good service" for the residents and visitors to Stirling, taking a service design approach to define what can be expected when engaging with the council using digital and traditional contact channels. The strategy will include customer service behaviours and principles around service user experience. A suite of operational |

| | |
|---|---|
| | performance indicators will be developed to measure the success of the strategy and will be used in conjunction with existing measures to support service redesign.<br><br>Full end to end customer journey audits are dependent on the complete rollout of a (Customer Experience) platform which will provide a single joined up view of the customer and their interactions with the council, covering both front and back office services and will cover service delivery, timeliness, information provided, professionalism and staff attitude at first point of contact and overall satisfaction with Stirling Council. The CX implementation programme is currently under development.<br><br>Until a joined up customer journey is available the council will continue to seek feedback on customer satisfaction at an individual interaction level, with front office user surveys in place for Contact Centre interactions, MECS service users and Digital Services via the Stirling.gov website feedback. Individual services continue to seek feedback on aspects of service delivery through local consultations e.g. Housing Services Survey, Waste Survey. |

**Recommendation 6** – The Council should develop a more regular and structured approach to staff consultation and engagement.

| Open Actions | Latest Progress Note |
|---|---|
| Explore and implement a digital staff engagement tool. Prepare initial business case (IBC) for proposed investment | In April 2024, a new Enterprise Resource Planning (ERP) system was launched: MyPortal.<br><br>The Oracle Fusion ERP system includes functionality which will enable vastly improved communication and engagement with employees. Some examples of this functionality includes:<br><br>• Oracle Guided Learning (OGL): OGL is a built-in training and engagement tool which enables employees to have easier access to policies, training, information, news, communications and guidance. OGL is highly configurable and allows communication and guidance to be tailored based on a number of criteria, including job role.<br>• Oracle Help Desk supports employees to access key information at source, and to ask for help or request a service online.<br>• Employee feedback: employees will be prompted to provide brief, just in time feedback on key employee processes such as: the recruitment experience; the on-boarding and induction experience; performance appraisal and development planning processes; learning and training. This data will be used to inform improvements to these processes via a continuous improvement approach.<br>• Improved employee experiences in the areas around recruitment, on-boarding and induction, learning and development planning, access to training and off boarding.<br><br>As part of this programme, Microsoft accounts have been created for all employees across the Council, enabling improved communication with front line operational staff. A programme of |

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| | digital readiness has been rolled out to support this in terms of digital skills and digital access. |

**Recommendation 7** – The Council should complete its residents' satisfaction survey in 2019 and demonstrate how it uses the results to inform future council decisions

| Open Actions | Latest Progress Note |
|---|---|
| Create Improvement Plans from the Residents' Survey Results | The Council has undertaken residents' surveys in 2000, 2002, 2005, 2008, 2011 and 2019. Residents' surveys are an important way of consulting and listening to local residents and Council service users. They can highlight areas where improvements are needed or where further, more detailed, investigation is required.<br>The 2022 survey was held in October-November 2022, and asked for residents views on:<br>• Satisfaction with a range of services/ facilities provided by the Council<br>• Public Performance Reporting<br>• How residents have, and prefer to, contact the Council<br>• Resident's experience of contacting the Council<br>• Communication and Information from the Council<br>The 2022 survey also included a section on 'Your Place' using the place standard tool, the tool is a way to assess local areas, providing a simple framework to structure conversations about place: it allows people to think about the physical elements of a place, as well as the social aspects.<br>Services will use the output from the Residents' Survey to create improvement action plans, which will link into PSIF reviews and service plans. |
| Demonstrably show how the Residents' Survey feedback has influenced service delivery. | Findings from the Residents' Surveys will inform areas for improvement at the service level, and be included in service-level planning from 2024 onwards.<br>Every year, the Council holds a Budget Consultation, as a part of the Budget-setting process. Residents, businesses and others are asked for their views on what services they value and how they are delivered, where the Council could make savings, and what matters most to them. Feedback informs the Council's decisions on setting the budget for forthcoming the year. |

2.3. The full BVAR Improvement Action Plan with progress notes is included as **Appendix 2**.

## 3. Implications

### Equality and Socio-Economic Impact

3.1. The contents of this report were assessed under the Council's Equality and Socio-economic Impact Assessment (EqSIA) process. It was determined that an Equality and Socio-economic Impact Assessment was not required as a new policy or strategy is not being introduced.

3.2. The contents of this report were considered in terms of the Fairer Scotland Duty and were determined not to be of strategic importance.

### Climate Change, Sustainability and Environmental Impact

3.3. There are no direct impacts of this report on climate change, sustainability or the environment.

### Other Policy Implications

3.4. Following consideration of the policy implications of this report no relevant issues have been identified.

### External Consultations

3.5. None.

## 4. Background Papers

4.1. Stirling Council Report – Audit Scotland Best Value Assurance Report and Improvement Action Plan – 27 June 2019.

4.2. Stirling Council Report – BVAR IMPROVEMENT ACTION PLAN – PROGRESS UPDATE -5 December 2019.

4.3. Stirling Council Report – BVAR IMPROVEMENT ACTION PLAN – PROGRESS UPDATE -4 March 2021.

## 5. Appendices

5.1. Appendix 1 – Best Value Assurance Report - Stirling Council. Prepared by Audit Scotland, April 2019. https://www.audit-scotland.gov.uk/uploads/docs/report/2019/bv_190425_stirling.pdf

5.2. Appendix 2 – BVAR Improvement Action Plan – Progress Update

Author(s)

| Name | Designation | Telephone Number/E-mail |
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Approved by

| Name | Designation | Date |
|---|---|---|
| Lawrence Hay | Head of Customer Service and Performance | 19-08-2024 |

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|---|---|
| Details of Convener(s)and Vice Convener(s) consulted on this report: | Cllr Scott Farmer<br>Cllr Rosemary Fraser |

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| Wards affected: | All |
| Key Priorities: | All |
| Stirling Plan Priority Outcomes:<br>(Local Outcomes Improvement Plan) | All |

# BEST VALUE AUDIT REPORT – RESPONSE TO RECOMMENDATIONS: UPDATE REPORT

May 2024

**BVAR Recommendation 1**: The Council needs to introduce a structured approach to self-evaluation to deliver continuous improvement. In particular, the performance management framework needs to be refined to identify and prioritise areas for improvement in line with the council's priorities.

| Improvement Actions | Action Description | Accountable Officer | Assigned to | Start Date | Completion Date | Priority | Progress |
|---|---|---|---|---|---|---|---|
| Create a Self-Evaluation Approach and Plan | Create a Self-Evaluation Strategy, which commits to certain Self-Evaluation Methodologies. | Adam Boey | Elaine McNicol | May 2019 | October 2020<br>Complete | Medium | Complete<br>Our Continuous Improvement and Self-assessment approach and supporting diagram was approved at the November Operational Governance Board (OGB) meeting |
| | Create an annual plan for Self-Evaluation and monitor impact and improvement plans | | | | 2022-24 | Medium | OGB is in the process of embedding PSIF in practice.<br>The Public Service Improvement Framework (PSIF) self-assessment approach provides a systematic, regular review methodology from which prioritised improvement actions plans are produced. As the improvement actions are implemented, progress and impact upon performance is reviewed to ensure that continuous improvement is maintained<br>Over half of Scottish Councils use the Public Service Improvement Framework (PSIF) self-assessment approach to help drive continuous improvement across their organisations. The approach is also used by Community Planning Partnerships, Police Scotland, Scottish Fire and Rescue Services, COSLA, Health & Social Care Partnerships and Third Sector Organisations. |
| Create Continuous Improvement Approach and Plan | Research different approaches to Continuous Improvement. | Adam Boey | Elaine McNicol | May 2019 | February 2020<br>Complete | Medium | |
| | Create a Continuous Improvement Strategy. | Adam Boey | Elaine McNicol | May 2019 | October 2020<br>Complete | Medium | As above. Our Continuous Improvement and Self-assessment approach and supporting diagram was approved at the November OGB meeting. |
| | Create a plan for Continuous Improvement activity annually. | Adam Boey | Elaine McNicol | May 2019 | First iteration of annual plan is complete.<br>Annual activity thereafter with new projects added. | Medium | As above, the Council has been adopting PSIF. This is not yet BAU, and future updates will demonstrate progress. |
| | Complete a Skills Gap Analysis and identify a training plan | Adam Boey | Elaine McNicol | May 2019 | February 2021<br>Complete | | During quarter 3-4 2020-21 a skills gap analysis was completed for TP&P staff and a training plan was created. The training plan includes training needs for PSIF, Lean and Service Design. This plan will need revised once the scoping work for continuous improvement has been completed.<br>PSIF training was delivered by the Improvement Service on 17 December 2020.<br>Process Mapping training was delivered by the Improvement Service on the 9 November 2021.<br>Service Design Campion Programme training – a number of training sessions are scheduled to take place during quarter 4 2021-22. |

**BVAR Recommendation 2**: The Council should demonstrate that they use benchmarking and customer satisfaction information to identify areas for improvement and identify other councils that they could discuss good practice with.

| Improvement Actions | Action Description | Accountable Officer | Assigned to | Start Date | Completion Date | Priority | Progress |
|---|---|---|---|---|---|---|---|
| Create our own Customer Satisfaction measures that are measured annually. | These should be a 'roll-up' from Service Plans to create a 'customer view' | Lawrence Hay | Elaine McNicol | Oct 2020 | December 2024 | Medium | A new customer service strategy is planned for 2024, which will be developed collaboratively with service users and insights from the customer survey. The Customer Service Strategy will include a definition of "what makes a good service" for the residents and visitors to Stirling, taking a service design approach to define what can be expected when engaging with the council using digital and traditional contact channels. The strategy will include customer service behaviours and principles around service user experience. A suite of operational performance indicators will be developed to measure the success of the strategy and will be used in conjunction with existing measures to support service redesign.<br>Full end to end customer journey audits are dependent on the complete rollout of a CX (Customer Experience) platform which will provide a single joined up view of the customer and their interactions with the council, covering both front and back office services and will cover service delivery, timeliness, information provided, professionalism and staff attitude at first point of contact and overall satisfaction with Stirling Council. The CX implementation programme is currently under development.<br>Until a joined up customer journey is available the council will continue to seek feedback on customer satisfaction at an individual interaction level, with front office user surveys in place for Contact Centre interactions, MECS service users and Digital Services via the Stirling.gov website feedback. Individual services continue to seek feedback on aspects of service delivery through local consultations e.g. Housing Services Survey, Waste Survey. |
| Encourage the use of Benchmarking and actively use LGBF data. | Create Improvement Plans for LGBF indicators. | Adam Boey | Elaine McNicol | May 2019 | July 2019<br>**Complete**<br><br>Annual activity thereafter in response to the annual refresh of LGBF data. | Medium | An Annual LGBF Report is submitted to Council.<br>LGBF updates are provided to all four decision-making Committees as a part of the quarterly portfolio performance reporting in place from 2023. |
| | Evidence use of LGBF data has had tangible results on Service performance. | Adam Boey | Elaine McNicol | May 2019 | December 2020 – ongoing | Medium | This is a long-term measure and we will ensure progress against delivery of the LGBF Improvement Plans is reviewed and tangible results on service performance are captured. |

**BVAR Recommendation 3:** Performance reports for councillors should be refined to include key indicators, which show performance over time against the council's priorities.

| Improvement Actions | Action Description | Accountable Officer | Assigned to | Start Date | Completion Date | Priority | Progress |
|---|---|---|---|---|---|---|---|
| Develop and Implement a Key Priority Performance Report and Reporting Process to Councillors | Develop Service Plans, which link to Council Key Priorities. | Lawrence Hay | Adam Boey | May 2019 | December 2023 - Ongoing | High | Ongoing annual service planning process is in place, with service plan actions directly linked to Council Priorities. |
| | Develop Key Priority Performance report. | Lawrence Hay | Adam Boey | May 2019 | Q2 2023 - ongoing | High | From 2023, all four decision-making Committees receive quarterly portfolio performance reporting containing:<br>• Progress on delivery of the Council's ten priorities – results for agreed sets of KPIs;<br>• Operational/service delivery performance; and<br>• Updated LGBF results. |
| | Agree Reporting process to councillors regarding Key Priority Progress | Lawrence Hay | Adam Boey | May 2019 | Q2 2023 - **Complete** | High | As above. |
| | Explore defining key indicators | Lawrence Hay | Adam Boey | May 2019 | June 2023 - **Complete** | High | In June 2023, the Council considered ten sets of KPIs – one set for each Council Priority - with the understanding that they will be presented to the relevant decision making committees for approval.<br>From August – September 2023, all four decision-making Committees agreed to the KPIs relevant to their portfolio. |

**BVAR Recommendation 4:** The Council needs to improve its public performance reporting, to show a summary of the council's performance against the business plan objectives.

| Improvement Actions | Action Description | Accountable Officer | Assigned to | Start Date | Completion Date | Priority | Progress |
|---|---|---|---|---|---|---|---|
| Review our Annual Performance report | Review annual performance report to ensure it provides useful information and in a format that is digestible to the public. | Adam Boey | Elaine McNicol/ Paul McNamara | May 2019 | **Complete** | High | The 2022/23 Annual Performance Report included portfolio performance and service achievements.<br>Going forward, the ten Council Priorities agreed by Council in December 2022, will monitored and their progress reported. |
| Digital and Interactive Performance Portal | Explore a digital reporting solution for Stirling Council website | Adam Boey | Elaine McNicol | May 2019 | Initial findings – August 2019 – Ongoing<br><br>Q4 2021-22 | High | Science Masters student from Stirling University explored options for a digital reporting solution. An initial prototype has been developed using Power BI to demonstrate a digital reporting solution for the Stirling Council Annual Report.<br>During 2020-21 the Power BI solution to support the Annual Report was delayed due to staff resource with relevant digital skills being prioritised to deal with other work requests.<br>However, the learning acquired from the recent development work carried out to support the digital solution for presenting our LGBF data can be applied when developing the digital solution for the Annual Report.<br>Teams are exploring data automation, where performance management and reporting can be undertaken dynamically by connecting to data sources directly. |
| Ensure reporting clearly demonstrates performance against our Business Plan Objectives | Ensure Performance Indicators that we report in our 5 Year Business Plan also feature in our Annual Report to show progress towards the 5YBP | Adam Boey | Elaine McNicol | May 2019 | 2019 - Ongoing | | The Stirling Council Annual Performance Report 2018-19 includes the performance indicators featured in our 5 year Business Plan.<br>A more recent Three-Year Business Plan has been developed and will be taken to Council in May 2024. |

**BVAR Recommendation 5:** Councillors should increase attendance at training courses and agree on actions to improve attendance rates. Personal development plans for councillors should be considered.

| Improvement Actions | Action Description | Accountable Officer | Assigned to | Start Date | Completion Date | Priority | Progress |
|---|---|---|---|---|---|---|---|
| Support and encourage Councillors to attend training offered by COSLA and other public bodies | | Julia McAfee | Julia McAfee with support from Lisa Dunlop | June 2019 | June 2020<br>**Complete**<br>Now part of ongoing business as usual activity. | High | A variety of training courses and conferences have been attended by Councillors and training and attendance records are available for the past 5 years. A significant amount of training is carried out in-house by Council Officers for Councillors.<br>In January the Chief Officer Governance emailed Councillors outlining the next steps for developing councillor training and development opportunities. Councillor feedback on this subject was also requested.<br>In February the Chief Officer Governance began consulting with Councillors to assess their appetite for a dedicated training day.<br>MS Teams training was carried out in May.<br>Elected Member in-house training is ongoing and online training with the Standards Commission is underway. |
| Complete a skills analysis and develop a self-evaluation process for Councillors to ensure their training needs are met. | | | Julia McAfee with support from Lisa Dunlop | June 2019 | April 2020<br>**Closed** | High | There has been no further progress on this action. See comment below. |
| Create Personal Development Plans for councillors as advised in the BVAR report. | | | Julia McAfee with support from Lisa Dunlop | June 2019 | April 2020<br>**Closed** | High | This action was discussed with Audit Scotland and they acknowledged that this was an unrealistic ask. |
| Accounts Commission Checklist Toolkit to enable Elected Members to use as a resource | | | Internal Audit | June 2019 | January 2020 -<br>**Complete** | High | The Accounts Commission Checklist toolkits are now available through Source. The Audit Manager has emailed Elected Members advising them that the toolkits are now available. |

**BVAR Recommendation 6:** The Council should develop a more regular and structured approach to staff consultation and engagement.

| Improvement Actions | Action Description | Accountable Officer | Assigned to | Start Date | Completion Date | Priority | Progress |
|---|---|---|---|---|---|---|---|
| Create a Staff consultation and engagement strategy | | Kate Hudson | Lisa Dunlop | June 2019 | Ongoing - Regular Pulse Surveys | High | The 2019 staff survey results were issued on the 10th January 2020 and were made available to all staff via the Source. During February 2020 Managers and Team Leaders across the organisation provided staff with the opportunity to feedback on results.<br>In March 2021 a Pulse Survey was carried out and included questions on our response to Covid19, organisation culture, and how staff preferences on how they would like to work in the future. Results from the Pulse Survey were analysed and findings were shared with all staff on the 1 June 2021. |
| | Create an Employee Experience Strategy Group | Kate Hudson | Lisa Dunlop | June 2019 | January 2020 – Complete | High | An Employee Experience Strategy Group was set up in January and the first meeting of the group has taken place. A Terms of Reference has been drafted for this group. The group will meet monthly. A report providing an update on the newly formed Employee Experience Strategy Group was reported to the Operational Governance Board on the 22nd April 2020. The OD Manager has an action to discuss the membership of the Employee Experience Group with the Chief Operating Officers. |
| | Develop an organisation wide Employee Experience implementation plan and provide regular reports on proposed improvements to the Operational Governance Board | Kate Hudson | Lisa Dunlop | June 2019 | Ongoing | High | Employee Experience is being delivered and implemented as part of the Council's Target Operating Model (TOM), which is currently in development. Governance around the TOM workstreams is being developed. In the meantime, a high volume of work has been undertaken to improve the employee experience, especially to support the workforce during the Covid pandemic over the last year or so. This has included regular staff newsletters highlighting the staff and teams who have gone above and beyond during Covid, as well as 2 staff pulse surveys to establish how staff are feeling during the pandemic, and an enhanced Employee Wellbeing Offering.<br>During 2022-23 we will be continuing with staff surveys and the next survey will focus on New Ways of Working to get a sense of what has worked well for people over the past two years and what has been challenging. |
| Have a clear plan for engagement with Staff throughout the year and introduce 360 degree feedback for Line Managers. | Develop a business case on introducing 360 degree feedback for Line Managers | Kate Hudson | Lisa Dunlop | June 2019 | End September 2019 - Complete | High | 360° feedback is already built into our leadership programme, and 55 managers have already been through 360° feedback and coaching as part of the programme. An additional 24 managers will undertake this as part of the leadership cohort, which launches in December 2019. OD will continue to use this 360° feedback approach into the future.<br>'Spidergap' software has been implemented to make the 360° feedback process easier and less time consuming to administer. In addition, OD now have access to data that allows them to analyse the impact of the 360° feedback process. |
| Explore and implement a digital staff engagement tool. | Prepare initial business case (IBC) for proposed investment | Kate Hudson | Lisa Dunlop | May 2019 | Initial findings August 2019 - Complete | Medium | In April 2024, a new Enterprise Resource Planning (ERP) system was launched: MyPortal.<br>The Oracle Fusion ERP system includes functionality which will enable vastly improved communication and engagement |

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| | | | | | | | with employees. Some examples of this functionality includes:<br>• Oracle Guided Learning (OGL): OGL is a built-in training and engagement tool which enables employees to have easier access to policies, training, information, news, communications and guidance. OGL is highly configurable and allows communication and guidance to be tailored based on a number of criteria, including job role.<br>• Oracle Help Desk supports employees to access key information at source, and to ask for help or request a service online.<br>• Employee feedback: employees will be prompted to provide brief, just in time feedback on key employee processes such as: the recruitment experience; the on-boarding and induction experience; performance appraisal and development planning processes; learning and training. This data will be used to inform improvements to these processes via a continuous improvement approach.<br>• Improved employee experiences in the areas around recruitment, on-boarding and induction, learning and development planning, access to training and off boarding. As part of this programme, Microsoft accounts have been created for all employees across the Council, enabling improved communication with front line operational staff. A programme of digital readiness is currently being rolled out to support this in terms of digital skills and digital access. |

**BVAR Recommendation 7:** The Council should complete its residents' satisfaction survey in 2019 and demonstrate how it uses the results to inform future council decisions.

| Improvement Actions | Action Description | Accountable Officer | Assigned to | Start Date | Completion Date | Priority | Progress |
|---|---|---|---|---|---|---|---|
| Undertake a residents' survey in 2019 | | Isabel McKnight | Paul McNamara | September 2019 | December 2019 - Complete | High | The Residents' Survey 2019 was released at the end of October, providing a four-week window for Stirling's citizens to have their say on Council services. The survey was closed in December 2019. |
| Create Improvement Plans from the Residents' Survey Results | | Isabel McKnight | Services | October 2020 | TBC once services have reviewed the survey results. | Medium | The Council has undertaken residents' surveys in 2000, 2002, 2005, 2008, 2011 and 2019. Residents' surveys are an important way of consulting and listening to local residents and Council service users. They can highlight areas where improvements are needed or where further, more detailed, investigation is required.<br>The 2022 survey was held in October-November 2022, and asked for residents views on:<br>• Satisfaction with a range of services/ facilities provided by the Council<br>• Public Performance Reporting<br>• How residents have, and prefer to, contact the Council<br>• Resident's experience of contacting the Council<br>• Communication and Information from the Council<br>The 2022 survey also included a section on 'Your Place' using the place standard tool, The tool is a way to assess local areas, providing a simple framework to structure conversations about place: it allows people to think about the physical elements of a place, as well as the social aspects. Services will use the output from the Residents' Survey to create improvement action plans which will link into PSIF reviews and service plans. |
| Demonstrably show how the Residents' Survey feedback has influenced service delivery. | | | Services | December 2020 | March 2023 | Medium | Findings from the Residents' Surveys inform areas for improvement at the service level, and be included in service-level planning from 2024 onwards. |

**BVAR Recommendation 8:** The Council needs to approve the three outstanding locality action plans without delay, to comply with the requirements of the Community Empowerment (Scotland) Act 2015.

| Improvement Actions | Action Description | Accountable Officer | Assigned to | Start Date | Completion Date | Priority | Progress |
|---|---|---|---|---|---|---|---|
| Publish Locality Action Plans | Create with the community the following locality action plans:<br>1. Raploch<br>2. Cornton<br>3. Cowie<br>4. Plean<br>5. Fallin<br>6. Cultenhove/ Borestone<br>7. Mercat Cross and City Centre<br>8. Bannockburn and Hillpark | Kate Hudson | Lesley Gallagher | 27 May 2019 | End December 2019 **Complete** | High | All eight locality action plans are now complete and final. Initial Programme and Operational (locality specific) resource plans are in place following engagement with partners prior to pandemic lockdown.<br>One (of two planned) community feedbacks sessions was completed prior to lockdown. Lynne McKinley will take up a programme lead role until March 2021 to prioritise some of her time to support finalisation of the resource plans, and progress discussion with communities on ongoing community governance and collaboration as we move to locality action plan implementation as a key driver of Community Wealth Building. |
| | Develop a Strategy for Community Consultation | Kate Hudson | Crawford Bell | December 2019 | End April 2021 **Complete** | Medium | A Community Engagement Plan has been developed that will provide guidance for effective community engagement and consultation across all council services. It will provide a pathway and framework for ensuring best practice where community engagement is sought or needed.<br>The Community Engagement Strategy and accompanying Framework is complete and was approved at Stirling Council Committee in April 2021. |

**BVAR Recommendation 9:** The CPP should complete its review of reporting structures and report performance against its local outcome indicators.

| Improvement Actions | Action Description | Accountable Officer | Assigned to | Start Date | Completion Date | Priority | Progress |
|---|---|---|---|---|---|---|---|
| Review and Implement new CPP Reporting structures | Review the CPP structure and implement new proposals | Kate Hudson | Lesley Gallagher | 16 May 2019 | Review **complete** end June 2019 | High | CPP reporting structure is complete. Revised structure and governance framework approved by the CPP Executive board in August 2019. Framework now being implemented. |
| Create Performance framework that links thematic groups performance to the LOIP | Create Performance Framework that links thematic groups indicators to the LOIP | Kate Hudson | Lesley Gallagher | 16 May 2019 | New structure in operation by August 2019 - **Complete** | | Performance Framework that links thematic group performance to the LOIP is on track. Governance Framework has established thematic reporting lines. LOIP Action Plan with thematic group responsibility approved by the CPP Executive Board in August 2019. SMART Performance Framework on track to be considered by the Executive Board in February 2020. The Stirling Plan actions and report have been set up on Pentana along with the linked PIs. |
| | To regularly report and scrutinise performance against LOIP indicators at CPP | Kate Hudson | Lesley Gallagher | 16 May 2019 | Reporting ongoing thereafter | | A Pentana performance progress report on the Stirling Plan action plan is prepared and reported for consideration at all CPP Executive Board meetings, and included on the Community Planning and Regeneration Committee workplan. |

**BVAR Recommendation 10:** The Council should review and report on whether the structure of its ALEOs remain fit for purpose.

| Improvement Actions | Action Description | Accountable Officer | Assigned to | Start Date | Completion Date | Priority | Progress |
|---|---|---|---|---|---|---|---|
| Implement a fit for purpose governance structure for ALEOs | | Julia McAfee<br>Isabel McKnight<br>Kate Hudson | Officers leading negotiations tbc | May 2019 | Continuous cycle of scheduled 6 monthly updates for ALEOs – Committee Work Plans<br>**Complete** | High | A report was presented to Finance and Economy Committee on the Arms' Length Organisations (ALEOs) and Economic Partnerships Review. The committee decision note, 18th April 2019 details the recommendations agreed by Committee.<br>The work plans for the Decision Making Committees includes the scheduled 6 monthly updates for ALEOs |
| Implement new Committee reporting arrangements for ALEOs that aligns with "Following the Public Pound" Local Arrangements and Council Standing Orders. | | Julia McAfee | | May 2019 | End October 2019<br>**Complete** | High | |
| Senior Officers with responsibility for ALEOs to ensure quarterly and annual reporting arrangements are factored into their work plans. | | Brian Roberts<br>Kate Hudson<br>Isabel McKnight | Relevant Service Officers | May 2019 | End October 2019<br>**Complete** | High | 6 month reports on relevant ALEO and Strategically Funded Operation are included on the Community Planning and Regeneration Committee workplan. |
| Include reporting flags in committee action logs to ensure reports are provided for Committee timeously. | | Julia McAfee | Democratic Support Officers | May 2019 | End October 2019<br>**Complete** | High | |